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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2082

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INTERNATIONAL AFFAIRS

GROWTH IN EAST-WEST TRADE SEEN DECLINING

West Berlin DIW-WOCHENBERICHT in German Vol 47 No 46, 13 Nov 80 pp 473-479

[Analysis by Heinrich Machowski, German Institute for Economic Research, West Berlin: "East-West Trade: Decline in Growth Rate at the Beginning of the 1980's"]

[Text] In 1979, the CEMA countries' volume of Western exports and imports increased at an accelerated rate. In part, however, this is attributable to sharp price increases that resulted on the one hand from the rise in the price of Soviet oil shipments and on the other hand from increases in the prices of Western grain shipments to the USSR. This year, the rates of expansion of East-West trade are likely to decline. This development will continue in the next few years, since both in East Europe and in the OECD area economic growth will be insignificant. Moreover, the smaller CEMA economies must try to reduce the high deficits in their Western trade balance by curbing the expansion of imports.

In nominal terms, trade between the European members of the Council for Mutual Economic Assistance (CEMA)¹ and the OECD states--i.e. East-West trade--expanded at an accelerated rate in 1979.² Calculated in transfer rubles (TRbl)³, Soviet exports to the West exceeded by nearly 50 percent the export volume of the preceding year, while the total Western exports of the smaller CEMA states--CEMA(6)--increased by more than one-fifth. Imports expanded as well, although in this sector the growth rate was not as high: In 1979, the Soviet Union's Western imports increased by approximately 20 percent, while the import volume of the other CEMA(6) states expanded by approximately 10 percent. The Soviet Union was able in 1979 to reduce its trade balance deficit vis-a-vis the West by 2 billion to TRbl 0.5 billion. In this respect, the smaller CEMA economies were less successful: They reduced their deficit by 0.7 billion to TRbl 3.7 billion.

The most important cause underlying these high East-West trade growth rates was the pronounced rise in foreign trade prices. However, only rough estimates can be made in regard to the price component: The Soviet Union, for example, only publishes data on the average price trends in the trade with the so-called nonsocialist world (Western industrialized countries and developing countries); according to these figures, in 1979 the average prices of exports to the West rose by 45 percent as compared to the preceding year, while the average prices of Western imports increased by 13 percent. Thus the terms of trade improved by nearly 30 percent. As regards Poland--after the USSR the second most important energy and raw material

supplier in East-West trade--the 1979 figures show another improvement of the trade ratio (by 6.5 percent; 1978: + 7.5 percent).

Development of the CEMA Countries' Western Trade¹⁾

RGW-Länder ¹⁾	8) ²⁾ Ausfuhr ²⁾						9) ²⁾ Einfuhr ²⁾					
	1970	1975	1976	1977	1978	1979	1970	1975	1976	1977	1978	1979
10) ³⁾ Mrd. TRbl ³⁾												
Bulgarien 2)	0,26	0,35	0,47	0,48	0,53	0,85	0,32	0,96	0,78	0,74	0,79	0,87
CSSR	0,70	1,17	1,20	1,37	1,47	1,75	0,82	1,57	1,75	1,87	1,99	2,28
DDR 4)	0,80	1,69	2,06	1,84	1,95	2,34	1,17	2,45	3,12	2,82	2,77	3,72
Polen 4)	0,91	2,42	2,64	2,82	3,15	3,53	0,84	4,63	5,09	4,55	4,60	4,56
Rumänien 5)	0,54	1,39	1,64	1,62	1,86	2,35	0,70	1,88	1,66	1,93	2,38	2,61
Ungarn 6)	0,59	0,95	1,17	1,27	1,33	1,74	0,67	1,41	1,53	1,80	1,16	2,18
RGW(6)	3,90	7,97	9,18	9,40	10,29	11,56	4,52	12,70	13,93	13,81	14,69	16,22
USSR 7)	2,21	6,17	7,90	8,87	8,79	12,80	2,57	9,75	11,18	10,64	11,24	13,34
RGW(7)	6,11	14,14	17,08	18,27	19,08	25,36	7,09	22,45	25,11	24,45	25,93	29,56
11) Veränderung gegenüber dem Vorjahr in vH												
Bulgarien	+ 10,1	+ 3,8	+ 32,2	+ 3,4	+ 8,9	+ 40,4	+ 38,0	+ 40,7	+ 18,6	+ 4,7	+ 6,7	+ 9,7
CSSR	+ 9,4	+ 6,0	+ 2,7	+ 14,1	+ 7,7	+ 18,5	+ 26,0	+ 2,0	+ 11,5	+ 7,0	+ 6,5	+ 14,6
DDR	+ 7,8	+ 9,3	+ 21,7	+ 10,4	+ 5,9	+ 19,8	+ 32,1	+ 0,4	+ 27,7	+ 10,1	+ 1,8	+ 26,2
Polen	+ 19,2	+ 9,0	+ 9,1	+ 6,6	+ 11,8	+ 12,2	+ 4,2	+ 17,2	+ 9,9	+ 8,8	+ 1,0	+ 1,0
Rumänien	+ 20,2	+ 8,8	+ 18,1	+ 1,4	+ 14,7	+ 26,3	+ 5,1	+ 13,1	+ 1,4	+ 16,5	+ 23,3	+ 9,7
Ungarn	+ 22,5	+ 8,8	+ 22,8	+ 8,2	+ 4,8	+ 30,5	+ 42,2	+ 3,5	+ 8,3	+ 17,9	+ 19,9	+ 1,0
RGW(6)	+ 20,8	+ 0,5	+ 15,1	+ 2,3	+ 9,4	+ 22,1	+ 19,0	+ 7,5	+ 9,8	+ 1,0	+ 6,4	+ 10,4
USSR	+ 4,7	+ 2,4	+ 27,9	+ 12,5	+ 0,9	+ 45,6	+ 11,5	+ 57,4	+ 14,7	+ 4,9	+ 5,7	+ 18,7
RGW(7)	+ 14,4	+ 1,6	+ 20,7	+ 7,0	+ 4,4	+ 32,9	+ 16,2	+ 24,7	+ 11,9	+ 2,6	+ 6,1	+ 14,0
12) Westhandelsanteil (Gesamtausfuhr bzw. -einfuhr = 100)												
Bulgarien	14,2	13,1	11,7	10,5	10,3	14,4	19,1	23,8	18,7	15,9	15,2	15,5
CSSR	20,4	20,0	18,4	18,8	18,5	19,9	24,9	24,6	24,9	23,6	23,4	24,1
DDR	21,9	22,5	24,3	20,5	19,7	20,8	26,7	29,0	31,8	28,4	25,5	28,9
Polen	28,4	31,5	32,0	30,7	31,3	31,3	25,9	49,5	49,1	42,5	40,2	37,3
Rumänien	32,3	35,0	35,9	31,0	33,7	36,1	40,4	42,2	36,5	36,9	39,1	35,7
Ungarn	28,4	22,3	23,7	22,1	22,5	24,4	29,6	28,4	28,2	28,9	30,1	28,4
RGW(6)	24,0	24,3	25,0	22,9	23,1	24,7	27,2	34,2	33,7	30,3	29,8	29,8
USSR	19,1	25,7	28,2	26,7	24,6	30,2	24,3	36,6	38,4	34,6	32,3	35,3
RGW(7)	22,0	24,9	26,4	24,6	23,8	27,2	26,1	35,2	35,7	32,0	30,8	32,0

Key:

1. CEMA countries
2. Bulgaria
3. GDR
4. Poland
5. Romania
6. Hungary
7. USSR
8. Exports
9. Imports
10. Billion TRbl
11. Change (%) against the preceding year
12. Share of Western trade (total ex- and imports = 100)

Footnotes in the Table: 1) OECD countries. 2) Conditions: f.o.b.; Hungary imports: c.i.f. general trade; purchasing or supplying country; USSR: Country of origin and destination. 3) The transfer ruble is the CEMA countries' foreign currency unit. Until 1971, its assigned value was: U.S. \$1.11; 1975: \$1.39; 1976: \$1.33; 1977: \$1.36; 1978: \$1.47; 1979: \$1.53. 4) So-called capitalist industrialized countries (aggregate return). Sources: Foreign trade statistics of the CEMA countries; DIW calculations.

Poland's export prices increased by just under 10 percent, while import prices only showed a 3-percent increase. By contrast, Hungary had to accept a slight deterioration of the terms of trade (-1.5 percent): Here the average export prices rose by 9 percent, while the average import prices increased by 10.5 percent.

Nominal and Real Development of the CEMA Countries' Western Trade¹⁾ (1979 as compared to 1978 in %)

	RGW(6) 6)	UdSSR 7)
Ausfuhr der RGW-Länder 1)		
Wert 2)	+ 22	+ 45,5
Preise (Durchschnittswerte) 3)	+ 12	+ 45,5
Volumen 4)	+ 9	0
Einfuhr der RGW-Länder 5)		
Wert	+ 10,5	+ 18,5
Preise (Durchschnittswerte)	+ 8	+ 13
Volumen	+ 2,5	+ 5
Terms-of-Trade ¹⁾	+ 3,5	+ 29

Key:

- | | | |
|----------------------------|-----------------|---------|
| 1. CEMA exports | 4. Volume | 7. USSR |
| 2. Value | 5. CEMA imports | |
| 3. Prices (average values) | 6. CEMA(6) | |

Footnotes in the Table: 1) Estimate. 2) Changes in export prices as % of the changes in import prices.

The ECE has submitted the first detailed evaluation of prices in East-West trade.⁴ According to this report, during the period from 1970 to 1977 Soviet imports from the West--showing an average real increase of 12 percent per year--expanded more rapidly than did the country's exports (4.5 percent). In 1979, this trend continued, that is to say that the Soviet economy's commodity receipts were considerable. During the period from 1970 to 1977, this trend prevailed in the smaller CEMA countries as well: The annual import growth rate amounted to 8.5 percent, while exports expanded by no more than 5 percent. In 1979, however, the situation changed radically: As a result of a policy oriented toward reduction of their payments balance deficit, the Western exports of these countries showed a much greater real increase than did their imports. In most of these countries, this change of policy has resulted in shortages on the domestic markets.

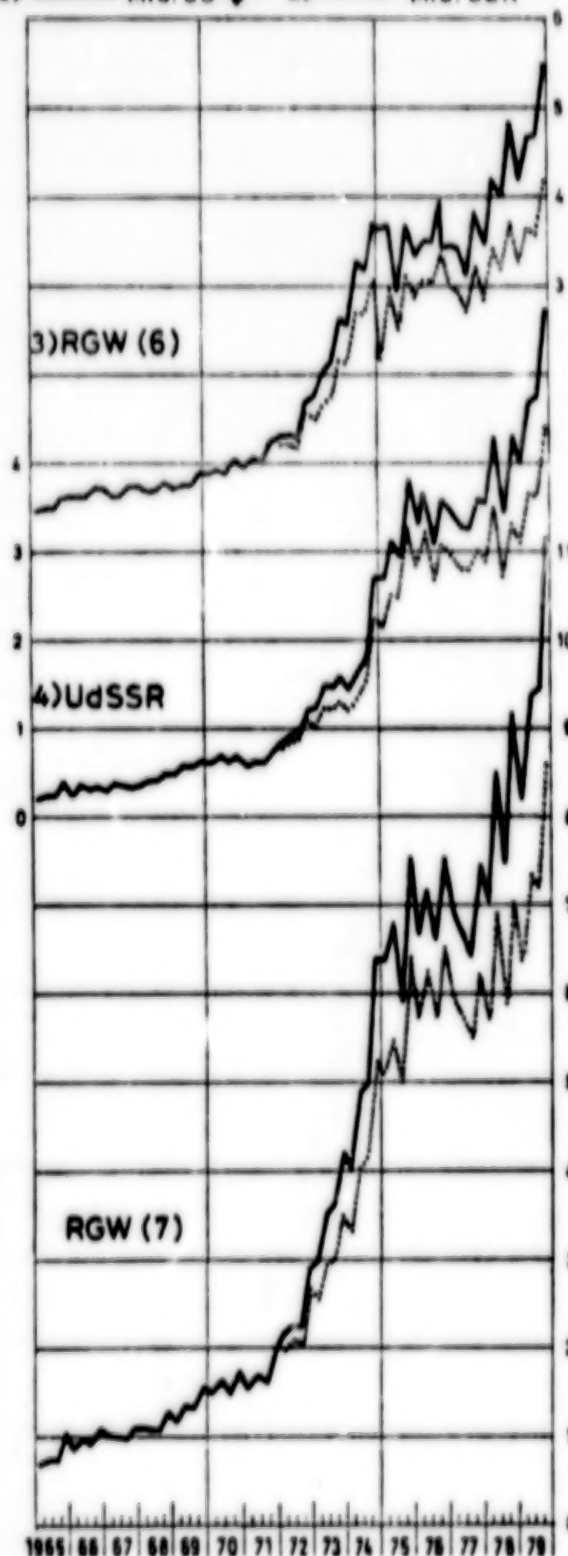
Commodity Structure

At present, data on the commodity structure of East-West trade are available only for the USSR and for Poland; in 1979, these two countries accounted for two-thirds of the total CEMA exports and for approximately 60 percent of the total imports.

In regard to exports, a striking change is the considerable increase in the Soviet Union's returns from its exports of petroleum and petroleum products (by 66 percent to TRbl 7.5 billion or U.S.\$ 11.5 billion).⁵ The share of this commodity item of the USSR's Western exports increased by 7 points to over 58 percent. In this respect, the Soviet Union again profited by the price policy pursued by the OPEC states: It reduced the shipments to the OECD countries (excluding Turkey) by 1.5 million to just under 59 million tons and realized a price (average value) of

EXPORTE DER OECD-LÄNDER IN DIE RGW-LÄNDER ¹⁾

1) ——— Mrd. US-\$ ²⁾ 2) Mrd. SZR ³⁾



1) Ohne innerdeutschen Handel. — 2) Vierteljahreswerte zu jeweiligen Preisen; c.i.f. — 3) Sonderziehungsrechte, bis 1971 wertgleich mit dem US-\$
Quelle: OECD und IWF.

DIW 80

Exports of the OECD Countries to the
CEMA Countries¹⁾

Key:

1. Billion U.S. dollars
2. Billion special withdrawal rights
3. CEMA(6)
4. USSR

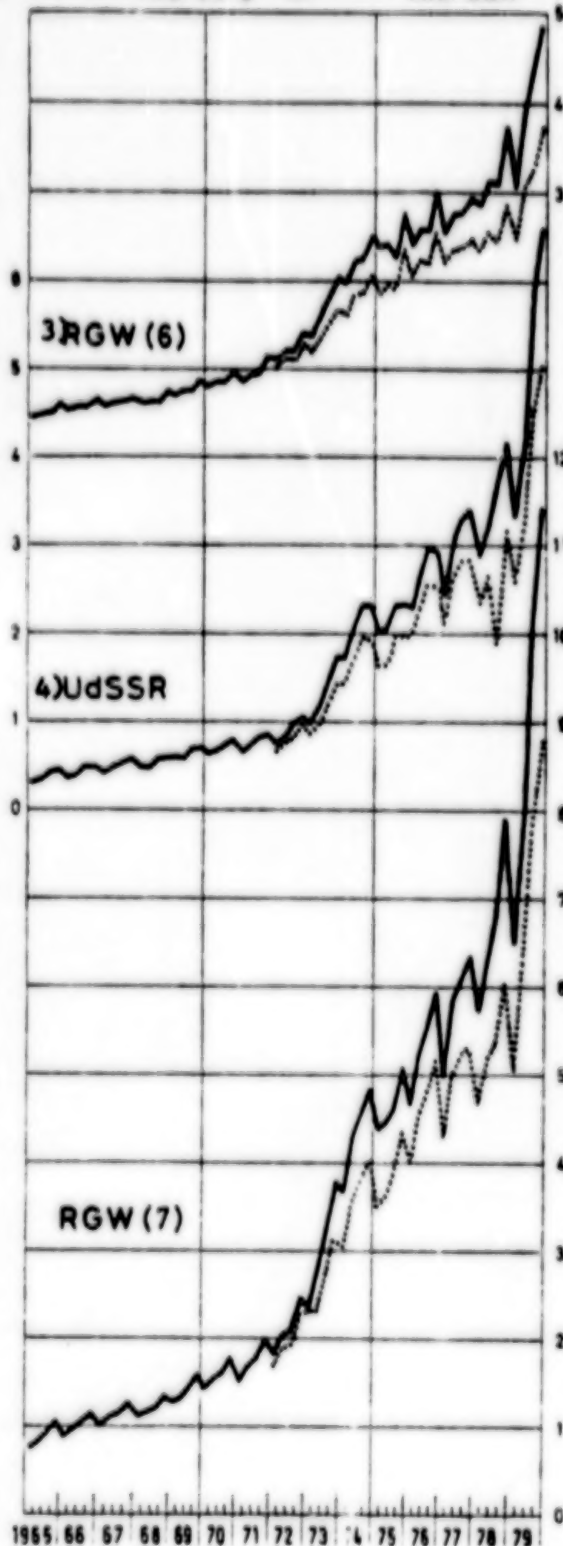
Footnotes of the Table:

- 1) Excluding inner-German trade
- 2) Quarterly values of the given prices; c.i.f.
- 3) Special withdrawal rights, until 1971 equivalent to the U.S. dollar

Source: OECD AND IMF

IMPORTE DER OECD-LÄNDER AUS DEN RGW-LÄNDERN¹⁾

1) — Mrd. US-\$²⁾ Mrd. SZR³⁾



1) Ohne innerdeutschen Handel — 2) Vierteljahreswerte zu jeweiligen Preisen, c.i.f. — 3) Sonderziehungsrechte, bis 1971 wertgleich mit dem US-\$
Quelle: OECD und IMF

DIW 80

OECD Imports from the CEMA Countries¹⁾

Key:

1. Billion U.S. dollars
2. Billion special withdrawal rights
3. CEMA(6)
4. USSR

Footnotes to the Table:

- 1) Excluding inner-German trade
- 2) Quarterly values of given prices; c.i.f.
- 3) Special withdrawal rights, until 1971 equivalent to the U.S. dollar

Source: OECD and IMF.

TRbl 127 per 1 ton of mineral oil sold, i.e. an increase of over 71 percent as compared to the preceding year.

The Soviet Union's machinery exports increased by 30 percent; however, these shipments accounted for no more than 3 percent of total exports--an indication of Soviet industry's structural weakness in the export sector.

Poland's energy and fuel exports expanded in 1979 by 17 percent to just under TRbl 1 billion. Constituting a share of 27 percent (1978: 25 percent), this remains Poland's most important export item; next in order are machines (18 percent), foodstuffs and products of the iron and steel industry (13 percent each). In comparison with the Soviet Union, the range of Polish export goods is considerably broader as is that of the other CEMA countries.

In regard to imports, it is remarkable that the USSR, which in 1978 had a record grain harvest (237 million tons), in 1979 nevertheless increased its grain imports from the OECD area by 3.5 million to 22.6 million tons. The United States was the principal supplier (18.5 million tons). Since the price to be paid by the USSR (average value, calculated in accordance to the proportionate weight of the supplying countries) increased by approximately 23 percent, the import costs of this commodity rose by 46 percent to over TRbl 2 billion (1978: TRbl 1.4 billion), i.e. the equivalent of 15 percent of the total imports from the West (preceding year: 12.5 percent). On account of very bad harvests in 1979 (179 million tons) and 1980 (presumably 181 million tons), the Soviet Union will have to continue to purchase larger quantities of grain in the world market. As is indicated by past experience, the partial embargo imposed by the Carter administration is not likely to be a serious obstacle in this respect.⁶ In 1979, the value of the machinery and equipment imported by the Soviet Union from the West declined by 5.5 percent to TRbl 4.5 billion. Consequently, this commodity group's share of total imports decreased by 9 percentage points to one-third.

In many respects, the development of Poland's Western imports showed a similar tendency: In 1979, the purchases of machinery and equipment were reduced by 18 percent to TRbl 1.4 billion; thus this commodity group's share declined by 6 points to 30 percent. Last year, Poland drastically curtailed--in favor of private consumption and exports--the country's overall capital accumulation (-7.5 percent). On account of the bad harvests in 1978 (21.5 million tons of grain) and in particular in 1979 (17.5 million tons), grain imports from the West showed a slight increase (to 6.5 million tons; previous year: 6.2 million tons). In spite of a somewhat improved harvest (19 million tons), Poland's 1980 import requirements for grain were officially quoted at 8 million tons. The United States recently granted a special loan (U.S. \$670 million) for financing additional agrarian imports.

To draw up a preliminary balance sheet of the East-West commodity flow in the 1970's, one has to fall back on the OECD foreign trade statistics,⁷ which are at variance with the CEMA statistics and which extend only up to 1978.

According to these data, the structure of Western commodity exports to East Europe--with these commodities divided into three key categories--underwent no major changes. The principal export commodities were semifinished and finished goods, above all capital goods. Only in the case of the USSR did the imports of semifinished goods show a relative decline in favor of agrarian imports.

Commodity Structure of the Foreign Trade Between the OECD Countries and the CEMA Countries (percentages of total exports and imports)

Warengruppen 1)	5) CEMA(6)			6) USSR		
	1971	1975	1978	1971	1975	1978
7) Ausfuhr der OECD-Länder						
Agrarierzeugnisse ^{1) 2)}	13,5	10	13	8	16	16
Vorprodukte ^{2) 3)}	48,5	50	47,5	47,5	42	41,5
Fertigerzeugnisse ^{3) 4)}	38	40	39,5	43,5	42	43,5
8) Einfuhr der OECD-Länder						
Agrarierzeugnisse ¹⁾	25,5	19,5	16,5	8	3,5	2
Vorprodukte ²⁾	51	53,5	52,5	86	91	91
Fertigerzeugnisse ³⁾	24	27	32	6	5,5	7

Key:

- | | |
|--------------------------|-----------------|
| 1. Commodity groups | 5. CEMA(6) |
| 2. Agricultural products | 6. USSR |
| 3. Semifinished goods | 7. OECD exports |
| 4. Finished goods | 8. OECD imports |

Footnotes in the Table: 1) Foodstuffs, feedstuffs and livestock (SITC share 0), beverages and tobacco (SITC share 1), animal and vegetable oils (SITC share 4). 2) Raw materials, excluding foodstuffs and fuel (SITC share 2), mineral fuel, lubricants and related products (SITC share 3), chemical products (SITC share 5), processed goods, broken down by composition (SITC share 6). 3) Products of the machine building industry, electrochemical products and vehicles (SITC share 7), other processed goods (SITC share 8), goods and trade processes, not broken down by composition (SITC share 9).

Source: OECD Foreign Trade Statistics.

Data Concerning the CEMA Countries' Trade Balance Vis-a-Vis the OECD Countries
(divergencies in the amounts due to rounding off)

RGW-Länder 1)	1970	1971 als 1) 1970	1979	1971 als 1) 1979
9) Sales in Bnd. US-\$²⁾				
Bulgarien 2)	- 0,1	- 2,6	- 0,0	- 2,6
CSSR	- 0,1	- 3,6	- 0,8	- 4,3
GDR 3)	- 0,3	- 7,6	- 2,1	- 9,7
Polen 4)	- 0,1	-14,8	- 1,6	-16,4
Rumänien 5)	- 0,2	- 2,5	- 0,4	- 2,9
Ungarn 6)	- 0,1	- 4,1	- 0,7	- 4,8
RGW(6) 7)	- 0,7	-35,0	- 5,6	-40,6
USSR 8)	- 0,4	-17,5	- 0,9	-18,4
RGW(7)	- 1,1	-52,5	- 6,5	-59,0
10) Exports in % der Imports				
Bulgarien	81,3	81,0	86,3	87,1
CSSR	85,3	77,2	76,6	77,1
GDR	77,4	69,1	62,8	67,9
Polen	108,4	60,8	77,4	83,4
Rumänien	76,9	84,5	90,1	85,9
Ungarn	88,9	71,3	79,1	72,9
RGW(6)	86,5	69,6	77,4	70,9
USSR	85,9	78,4	95,8	81,9
RGW(7)	86,3	73,2	85,7	75,5

Key:

- | | |
|-------------------|--|
| 1. CEMA countries | 6. Hungary |
| 2. Bulgaria | 7. CEMA(6) |
| 3. GDR | 8. USSR |
| 4. Poland | 9. Balance in billion U.S. dollars |
| 5. Romania | 10. Exports as a percentage of imports |

Footnotes in the Table: 1) Cumulative values. 2) At the given prices and exchange rates; export surplus: +, import surplus: -. 3) Vis-a-vis so-called capitalist industrialized countries (aggregate return). Sources: Statistical and foreign trade yearbooks of the CEMA countries.

Data Concerning the CEMA Countries' Indebtedness in Convertible Currencies (in billion U.S. dollars; data pertaining to the end of the year, data for 1979 preliminary)

Rhe-Länder 1)	10) Gesamtverschuldung 1)		darunter: 11) Verschuldung bei westlichen Geschäftsbanken 1979	
	1978	1979	Brutto 7)	Netto 8)
Bulgarien 2)	4,0	4,2	3,1	2,4
CSFR	3,8	3,8	2,8	1,8
GDR 3)	9,0	10,6	7,7	6,6
Polen 4)	17,8	19,6	18,6	14,0
Rumänien 5)	4,4	6,0	4,0	3,7
Ungarn 6)	7,3	8,0	7,4	6,7
RGM 4) 7)	40,7	57,1	40,0	33,6
USSR 8)	17,2	16,2	12,0	4,3
RGM 7)	60,7	74,6	56,8 ⁴⁾	46,2 ⁴⁾
darunter: RGM-Banken 9)	0,8	1,2	"	"

Key:

- | | |
|-------------------|---|
| 1. CEMA countries | 7. CEMA(6) |
| 2. Bulgaria | 8. USSR |
| 3. GDR | 9. Including CEMA banks |
| 4. Poland | 10. Total debts |
| 5. Romania | 11. Including debts with Western commercial banks |
| 6. Hungary | |

Footnotes in the Table: 1) All forms of indebtedness: Government loans (incl. swing in inner-German trade) insofar as used; supplier loans; Euro-loans and World Bank and IMF loans to Romania. 2) Claims of commercial banks in Belgium-Luxembourg, the FRG (excluding claims vis-a-vis the GDR), France, Great Britain, Italy, Canada, the Netherlands, Austria and Sweden, and of the branches of U.S. banks at off-shore financing sites (Caribbean area and Far East); for Irish banks, only foreign currency data are available; for banks in Switzerland, Japan and the United States, the breakdown by states is incomplete. 3) Debt claims minus liabilities. 4) Including the remainder (not broken down by region; gross: U.S. \$2.9 billion, net: \$2.3 billion). 5) International Bank for Economic Cooperation and International Investment Bank, Moscow.

Sources: Columns 2 and 3: Lawrence J. Brainard, Bankers Trust Co., New York; columns 4 and 5: Bank for International Payments Settlement, Basel.

The changes in the commodity structure of the OECD imports from East Europe were more pronounced. Moreover, there are marked differences between the smaller CEMA countries and the USSR: As regards agricultural products, the percentages declined in all of the CEMA countries, primarily as a result of the unsatisfactory performance of the East European--and especially the Soviet--agrarian sector. The joint agrarian policy pursued by the EC probably was only a secondary factor in this respect--and this goes above all for the smaller CEMA states. Whereas the semi-finished products accounted for a little more than 50 percent of the CEMA(6) exports, their share of Soviet exports showed a--price-related--increase to over nine-tenths. Finished goods did not figure large in Soviet exports, but in regard to the exports of the smaller CEMA economies, the share of these goods increased to one-third. Of this share, three-fourths are products of consumer-oriented industries (clothing, lumber and furniture, glass, etc.) that in the West encounter relatively high trade barriers (customs duties and import restrictions). However, the significance of these protective measures in regard to the actual development of imports from the CEMA countries can probably not be quantified.

Reduction of New Debts

Calculated in U.S. dollars, the CEMA countries' Western trade balance for 1979 showed a deficit of \$6.5 billion (the USSR: 0.9 billion; the other CEMA countries: 5.6 billion). The CEMA states do not publish their payments balances. Thus it is not clear exactly how these deficits were financed. In 1979, Western loans remained the most important financing source. According to estimates, in 1979 the credit volume of all CEMA states increased by just under U.S. \$6 billion, whereas in the preceding year the credit volume had expanded by as much as \$8.5 billion. In this process, the smaller CEMA economies incurred \$6.5 billion worth of new debts, while the USSR in 1979 was able further to reduce its debts, namely by U.S. \$1 billion. Apparently, the Soviet Union was able to do so, since its returns from gold sales in the West (estimated at 220 tons; 1978: 450 tons) amounted to U.S. \$2.2 billion (1978: 3 billion) and since it profited (to what extent is unknown in the West) from arms sales to OPEC states willing to pay a high price.

According to these estimates, the overall gross debts of all CEMA states amounted to U.S. \$74.5 billion;⁸ of this total, the USSR accounted for \$16 billion, while the six smaller CEMA economies accounted for \$52 billion, and the two CEMA banks in Moscow, for the rest.⁹ It is significant that at the end of last year approximately three-fourths of all debt claims vis-a-vis East Europe were held by private commercial banks, whereas the state-guaranteed export credits played a relatively minor role in East-West monetary transactions (estimated share: 20 percent).¹⁰ No precise data are available on the structure of the debt volume and on the interest to be paid by the CEMA countries.

Assuming that on the loans granted by Western commercial banks the CEMA countries have to pay an interest rate corresponding to the respective rate prevailing on the London money market (LIBOR)¹¹ and that the annual interest rate on all other loans still amounts to 7 percent, one obtains the following interest rates for the individual debtor countries (interest payments as a percentage of the annual value of Western exports):

		1978	1979
Bulgarian	1)	48	35
CSSR		14	18
GDR	2)	26	33
Polen	3)	33	39
Rumanien	4)	14	17
Ungarn	5)	34	35
RGW (6)	6)	26	30
USSR	7)	12	9
RGW (7)		22	21

Key:

- | | |
|-------------|------------|
| 1. Bulgaria | 5. Hungary |
| 2. GDR | 6. CECA(6) |
| 3. Poland | 7. USSR |
| 4. Romania | |

Thus, in 1979 the interest payments--to which the loan repayment installments must be added--increased in all CECA states--with the exception of Bulgaria and the USSR--to a greater (GDR and Poland) or lesser extent (Hungary and the CSSR). Of the three variables that determine the amount and the changes of these rates (total liabilities, export value and interest rate), the rise in interest rates on the European money market had an especially negative effect on these countries.

Outlook

In the first 6 months of this year, the Soviet Union's Western exports increased--in nominal terms--by 49 percent, while the Western exports of the smaller CECA states¹² increased by 37 percent. Imports from the West increased by 23 and 30 percent, respectively. What at first glance appears to be a further acceleration of East-West trade must in reality be attributed to the fact that in the second half of last year the prices in this trade have been rising rapidly; so the growth rates comprise a sizable price effect. In relation to the whole year of 1980, the expansion of East-West trade appears to have slowed. The relatively slower real growth of East-West trade is in keeping with the economic conditions in the national economies involved. The economic development in East Europe--not only in Poland--is unsatisfactory: Instead of the planned economic growth rate of 4 percent, the Soviet Union will this year attain no more than 2.5 percent. In 1980, the real GNP of the 15 most important Western industrialized countries (rated in accordance with their share of CECA exports in the preceding year) will increase by no more than 1.5 percent (1979: 3.5 percent), which is indicative of a slowdown in OECD imports (2 to 3 percent in real terms).

The developmental prospects of East-West trade in the first half of this decade must be considered unfavorable. To be sure, the CECA economies have not yet entirely worked out their new plans for the 5 years from 1981 to 1985; they have not even been able to bring to a close the CECA trade coordinating round for the new plan period, which was to precede the adoption of the national five-year plans--and the events in Poland have further complicated this coordination work. Nevertheless, there is every indication that in the coming years real growth in the CECA area will be slowing down still further.

In the smaller CEMA countries, the real growth rate probably will be about 1 percentage point below that of the current five-year plan (1975/70: 8 percent; 1980/75: 4.5 percent and 1985/80: presumably 3 to 3.5 percent). Should this be the case, an average annual increase of real 4 percent appears to be possible. Such an expansion can probably be absorbed by the OECD markets, provided that no new protectionist measures impede East-West trade. Should the CEMA countries try to reduce their annual trade balance deficit (in 1979 prices), the average annual increase in imports must be kept at a maximum of 2 percent. Even under such conditions, the cumulative deficit would by 1985 increase by U.S. \$27 billion. In this model, it was also assumed that such a reduced expansion of exports and imports would have no repercussions on domestic growth. But fulfillment of this precondition would probably cause considerable difficulties for the CEMA economies, especially since a reduction in imports would affect primarily the purchase of capital goods from the West.

In the Soviet Union, too, economic growth will be declining further (1975/70: 5.5 percent; 1980/75: 3.5 percent and 1985/80: presumably 2 to 3 percent). However, in contrast to the smaller CEMA states, the USSR need not be concerned about its balance of payments; moreover, it will continue to profit from better terms of trade.

Thus, at the beginning of the 1980's, the basic economic conditions are not conducive to a successful further development of economic relations between East and West. Moreover, in contrast to the situation at the beginning of the 1980's, the political framework cannot be expected to provide any fresh impulses.

FOOTNOTES

1. The non-European CEMA states (Cuba, Mongolia and Vietnam) and Albania, which since 1962 has no longer been participating in the activities of this organization, are not taken into account.
2. The data for 1979 are provisional.
3. The TRbl is the common foreign currency unit of the CEMA states. During the year under review, its assigned value, which is determined by an official, purely fictitious gold content (0.987412 grams), was U.S. \$1.53.
4. See "Prices and Volumes of East-West Trade 1965-1977," ECONOMIC BULLETIN FOR EUROPE, Vol 31, No 1, New York, 1979.
5. In 1979, the overall increase in CEMA exports to the West amounted to over TRbl 6 billion; the increase in Soviet oil exports accounted for just under 50 percent of that total.
6. According to recent American data, in the 1979/80 fiscal year--in this respect, these data overlap with the aforementioned Soviet data for the 1979 calendar year--the USSR bought 31.2 million tons of grain in the West; of this total (in million tons), 15.5 were bought in the United States; 5.5, in Argentina; 3.9, in Australia; 3.5, in Canada; 0.8, in the EC countries, and 2, in other countries. See HANDELSBLATT, 27 Oct 80.

7. In 1978, most of the OECD members--complying with a recommendation of the UN Statistical Commission--adapted their foreign trade statistics to the second revision of the commodity list (SITC rev. II); consequently, the 1978 data are no longer fully comparable with the previous figures. The DIW [German Institute for Economic Research] is preparing a conversion key for SITC I and SITC II as applying to East-West trade.
8. According to CIA estimates, the CEMA countries' total debts amount to U.S. \$77.1 billion (without swing), while the CEMA countries' claims vis-a-vis Western banks are estimated at between \$12.4 billion (CIA) and \$15.5 billion (Bank for International Payments Settlement), exclusive of the corresponding interest revenue. The supplier loans granted by the CEMA countries have not been taken into account.
9. Indirectly, these are debts of the CEMA states vis-a-vis the West. However, it is not known how these two banks divide up their international liabilities and debt claims among the individual member states.
10. Direct or indirect government loans play a significant role only in the case of the USSR: Their share of the total Soviet debts probably amounts to between 40 and 50 percent.
11. According to data supplied by the World Bank, in 1978 the average LIBOR rate amounted to approximately 9.5 percent, and in 1979, to approximately 12.1 percent. See "World Development Report 1980," Washington, 1980.
12. Excluding the GDR and Romania, which do not publish any data on the monthly or quarterly development of foreign trade.

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CHO: 2300

TRADE UNION CONFERENCE REVEALS ECONOMIC SHORTCOMINGS

Tirana ZERI I POPULLIT in Albanian 15 Nov 80 p 2

[Article by Astrit Nuri: "The Explanation of Situations Is Done Not Just for Information Purposes"--from the 15th Conference of the Trade Unions of Tirana District]

[Excerpts] As it was emphasized in the conference, some collectives of workers have not fulfilled their plans totally and for certain articles of production. The great majority of the shortfalls were a result of subjective reasons. These include the articles not produced in the "Ali Kelmendi" food combine, the mining enterprise, the "Migjeni" artistic enterprise, the brick combine, etc.

The workers must be told about the international situation. They must be told that the price for a ton of steel had increased from 1,518 leka hard currency to 2,722 leka. The price of tractors has increased from 7,580 leka hard currency to 29,700 leka. The price of lathes has increased from 36,300 leka hard currency to 75,900 leka. The workers should know this not only for their own information but so they can fulfill each day the tasks for each article, so that they can economize and so that they can understand and implement the directive of the party that without export there is no import and so that they can reduce the burden of their state, the state of workers and peasants.

During recent years, export activity has increased in the Tirana District. Many collectives have overfulfilled their plans. This is because the trade union organizations in these enterprises, under the leadership of the party organizations, have struggled and have carried on effective and progressive educational work in this area. But the same thing cannot be said about the trade union organizations in the "Misto Mame" combine, in the food combine, in the collection enterprise, in the "Partizani" plant, in the "Migjeni" artistic products enterprise, in the book enterprise, in the "Tirana" metal enterprise. The fact that the export plan has not been achieved in these enterprises indicates negligence, incorrect practices and concepts, a lack of thorough knowledge of the situation and inadequate educational work by the trade union organizations.

Let us discuss another problem--that of the quality of the products, constructions and services. There have been deficiencies in this area, resulting in poor quality products and services. Some furniture products, enamel products and kitchen utensils, shoes, spare parts and equipment for mining machinery have been the object of complaints from consumers because of their poor quality.

During the first 9 months of this year, about 93,000 work days were lost as a result of workers' unjustified absence from work. About 500 workers, on an average, were absent from production each day.

Politburo member, Rita Marko, chairman of the Central Council of Trade Unions, spoke at the conference. He stressed that there must be a struggle against globalism, self-satisfaction and formalism which appear in some cases. He said that it is one thing to note these deficiencies and another thing, and a more important thing, to combat the tendency to adjust to them and to underestimate them. Closed, sectarian, self-seeking work is not proper for the trade union organization. Its work is deeply educational and practical, a work of action; in order to progress we must not be satisfied merely with setting forth duties and resolutions in forums, but we must bring them into the basic organizations and to every worker, as the party teaches us.

CSO: 2100

DECREE ON GRAIN PRODUCTION PUBLISHED

AU251616 Sofia RABOTNICHESKO DELO in Bulgarian 29 Dec 80 pp 1-2

[Decree issued 19 December in Sofia by the BCP Central Committee and Council of Ministers of the People's Republic of Bulgaria on a new upsurge in the production of grain and on its effective utilization]

[Text] Grain production and its effective utilization are of fundamental importance for solving the food problem and better satisfying the population's needs as regards foodstuffs, as well as for increasing the effectiveness of agriculture and insuring the country's currency resources to a greater extent.

As a result of the party's agrarian policy established at the April plenum, our socialist agriculture has achieved great successes. A considerable growth and a high standard of grain production have been reached. According to average per capita grain production, our country has become one of the top grain producers in the world.

The party policy on raising the people's living standard demands a new upsurge in our grain production. This task must be accomplished in accordance with Comrade Todor Zhivkov's statement that "grain is...the very basis of our people's nutrition ...grain has become a worldwide problem. Grain today is not only an economic problem, but a political and strategic one. This is why we must also continue in the future to intensify our care and attention devoted to this basic problem and why we must use all factors and reserves likely to help us increase our grain production...."

The BCP Central Committee and the Council of Ministers consider that grain production is not up to the constantly growing needs of our country and to the great opportunities existing in our socialist agricultural sector. Despite the increase of output, the rates of grain production increases are unsatisfactory. In the majority of okrugs and agro-industrial complexes these rates of speed do not correspond to the material-technical basis that has been established. Thousands of decares remain uncultivated each year and millions of decares are left abandoned--land that is suitable for producing of grain and fodder. The grain production and sales plan is not being fulfilled, the balances are being disrupted and tension is being created in connection with cattle feeding. Production costs of grain are still high. Squandering and waste are allowed to occur in the harvest, storage and processing of grain. Great losses are being caused to national economy by the inefficient use

and wasting of grain and bread. Expenditures on fodder for the production of animal goods per unit are considerable. Large quantities of bread are being wasted in production, in the public catering sector and in private households. The grain problem and its effective utilization has not yet become a responsible task and concern of all national economic branches and of our entire public.

The main reason for the pointed out shortcomings lies, above all, in subjective factors. In many okrugs and agro-industrial complexes grain production is not being competently managed and the problems are not adequate to contemporary requirements. The achievements of scientific-technical progress are being slowly introduced, and the same applies to scientific-technical progress and frontranking experience.

The organizational and educational work of the majority of party and social organs and organizations is not concretely linked to the introduction of technical progress, to the training of cadres and to the strict observance of technological and state discipline, to the increase of production and to the efficient utilization of grain, as well as to the careful handling of bread.

To achieve a further upsurge in grain production and to safeguard its more effective utilization, the BCP Central Committee and the Council of Ministers issue the following decree:

1. The prompt increase of grain production and its most effective use for the main strategic task of the eighth 5-year plan period are to be insured.

The national agro-industrial union is entrusted with insuring the most efficient utilization of the resources allocated by the plan for fulfilling and overfulfilling the state task in connection with achieving a high effectiveness of production and self-sufficiency of the agro-industrial complexes and brigades. The resources must be granted on an economic basis, giving priority to agro-industrial complexes and other agricultural organizations which are accomplishing the most effective work and are insuring the increase of grain production.

Party committees and economic leaderships are entrusted to insure a consistent and comprehensive application of the economic approach and the uncompromising observance of the economic mechanism in their work for the sake of increasing grain production.

2. The increase of grain production must be achieved by introducing a thorough change in the intensification of production, based on the implementation of the BCP Central Committee Politburo theses on the perfection of socialist labor organization and on the consistent implementation of the economic approach, by establishing labor brigades of new type. During the eighth 5-year plan period the grain production brigades established on the basis of the existing technical equipment must increase production from 1.5 to 2 times, while labor productivity in the brigades established on the basis of new technical equipment must increase from 3.5 to 4 times.

The national agro-industrial union, the okrug agro-industrial unions and the agro-industrial complexes, as well as the other agricultural organizations must organize the entire 1981 grain and fodder production in the grain producing areas upon the basis of the new brigades organization of labor and on the basis of engineering projects.

3. The national agro-industrial union, the agro-industrial complexes and the other agricultural organizations, must, on the basis of engineering projects, insure the accelerated application of principally new, intensive sowings, by which to achieve the highest rate of land exploitation and an optimal increase of second and intermediate crops, as well as the maintenance of soil fertility and the achievement of more and cheaper grain outputs per plot unit.

4. The national agro-industrial union and the agro-industrial complexes must, with the help of engineering projects, organize an effective structure of grain crops likely to insure further production intensification so that an optimal quantity of grain may be obtained per unit of plot at the highest effectiveness.

5. During the eight 5-year plan, the national agro-industrial union and the agro-industrial complexes must insure a decisive change in the work related to introducing new basic technological methods of grain production, in accordance with the conditions in various production areas of our country. As early as by 1981, a new and more efficient system of cultivating various types of soil must be introduced such as minimum cultivation, periodical deep plowing of the soil, insecticide screens and other such measures, in accordance with the recommendations of scientific institutes and on the basis of the positive experience that has been accumulated.

During 1981 and 1982, the national agro-industrial union, the okrug agro-industrial unions and complexes are entrusted to develop and introduce improved structures and technological methods for cultivating grain and fodder crops on preirrigated plots, prepared with saline, and to introduce measures for ameliorating this soil.

6. The national agro-industrial union, in cooperation with the State Planning Committee, the Ministry of Machine Building Industry and the Ministry of Foreign Trade, must insure, on the basis of the 5-year plan and of annual plans, an accelerated development of the material-technical base and of grain, as well as of fodder production with a view to ward providing for a comprehensive mechanization of production processes: the national agro-industrial union is entrusted to provide for the import and local production of the necessary number of high power [energonasitni traktori] tractors for cultivating and deep plowing the soil, of sowing equipment for direct and accurate sowings and of highly productive combines for harvesting grain crops. The new technical equipment should be distributed with priority to the complex brigades. Measures must be taken to equip grain combines with technical devices, so that the harvest may proceed with a minimum of losses.

7. The national agro-industrial union and the agro-industrial complexes must insure the most efficient utilization of chemical fertilizers and goods, while the engineering projects should distribute the necessary fertilizers for each crop. The additionally obtained grain and fodder per kilogram of fertilizer should serve as a criterion for the efficiency of the chemicalization process.

Within the forthcoming 2-3 years comprehensive chemical and agrotechnical measures should be taken to eliminate weeds from cultivated plots by giving priority to the irrigated areas in this case.

8. The national agro-industrial union, the BCP okrug committees and the okrug agro-industrial unions must present a basic evaluation of irrigated areas and irrigation

work by 31 March 1981 and take comprehensive measures for the transformation of irrigation into one of the main factors in the intensification of grain production and for an optimal utilization of the entire amelioration fund, as well as for safeguarding an efficient structure of crops in the irrigated areas.

The factor of intensified utilization of irrigated plots must be improved. For this purpose, during the eighth 5-year plan period, no less than 1.5 million decarees of silage corn, grain corn and succulent fodder should be sown as second crops, and a considerable increase of outputs from them should be insured. Modern and highly productive technological methods should be introduced on a large scale. In this connection over 50 percent of the irrigated areas should be encompassed for this purpose during the 5-year plan period. By 1985, 400,000 decarees of swamp areas should be drained.

9. The national agro-industrial union, the okrug agro-industrial unions, and the other agricultural organizations, should take measures along with intensifying production to expand the grain and fodder crop areas. During the eighth 5-year plan period the areas sown with grain and fodder crops should include an additional 2 million decarees of abandoned land. The production of grain and fodder from low-productive areas in the mountainous and semimountainous areas must be encouraged by incentives such as better purchasing prices, premiums and so forth.

The executive committees of the okrug people's councils, the okrug agro-industrial unions, complexes and other agricultural organizations which fail to sow the planned areas with grain and fodder crops must be strictly held responsible by the party and administrative organs. Agro-industrial complexes and other agricultural organizations must report their commitments toward the state as regards the production of grain and fodder according to norms per arable land unit. In this connection the aforementioned agricultural organizations must also commit themselves to deliver the grain prescribed by the established norms from the areas that have not been cultivated and increase the amount from abandoned lands.

10. The activities of scientific institutions in the field of grain production must be entirely linked to implementing the tasks for a prompt increase of grain production. Scientific-research and practical engineering application activities must concentrate upon raising the standards of selection of grain and fodder crops, upon the creation of new varieties and highbred seeds, upon the cultivation of all-round stable crops with shorter growing periods, improved quality and a higher aminecide contents of grain, adapted to the application of industrial technological methods. The introduction of new domestic and imported varieties and highbred seeds should be accelerated. These varieties should be characterized by a shorter vegetation period and by valuable biological and economic qualities.

11. The national agro-industrial union must organize the export of the remaining amount of grain after the state task on purchasing has been accomplished. The currency obtained from these sales should be used for importing protein substances as well as plant protection products to serve the needs of these agro-industrial complexes and the other agricultural organizations which have submitted export resources.

12. The agro-industrial complexes and other agricultural organizations, as of 1981, can exchange one variety of grain out of the prescribed varieties to purchase other

grain varieties, according to established norms of correlation based on full currency and financial compensation.

13. The national agro-industrial union, the agro-industrial complexes and other agricultural organizations must insure a decisive change in effectively utilizing grain trying to reach the standards of the most developed countries as regards expenditures of fodder for the output of livestock products per unit. The style and technological methods of feeding animals should be drastically changed by introducing highly efficient new systems of feeding and reducing the relative share of grain in the fodder for ruminating cattle.

High-quality feeding of animals must be based on insuring an annual reduction of expenditures of concentrated fodder per kilogram of increased rate; thanks to the use of industrial production technologies, this increase rate should reach the following figures by 1985; 2.2-2.5 percent for poultry meat from broiler chickens, 3.4-4 kilograms for pork meat, and 4.5-5 kilogram for veal and poultry.

As regards a more efficient utilization of grain and the improvement of the scientific standards of animal feeding the national agro-industrial complex must create prerequisites for processing optimal quantities of fodder grain in combined fodder while strictly observing the adopted standards and the established technological methods. By 1983 modernization of the fodder plants must be introduced and the construction and modernization of the existing material-technical base in agro-industrial complexes and other agricultural organizations for preparing high-quality fodder must be carried out.

14. The national agro-industrial union and the state committee of science and technical progress must submit a program by 30 June 1981 on insuring the necessary protein for animal feeding during the eighth 5-year plan period to the Council of Ministers, and a program on decreasing the quantities of imports. By 1983 over 300,000 tons of raw protein must be insured by local production through a comprehensive and thorough utilization of agricultural raw materials and secondary industry products.

15. To safeguard the full utilization of coarse fodder, standardized feeding methods must be introduced on a large scale, by increasing production of alfalfa and hay, as well as of silage from corn and succulent fodder. The output per decare of land must attain the following figures: 900-1,000 kilograms for alfalfa hay, 2,500-3,000 kilograms for silage corn, and 350-400 for meadow hay.

16. A new approach must be applied to using the mountainous and semimountainous meadows and pastures by introducing on a large scale the organization of pasture complexes on the basis of engineering projects. The national agro-industrial union, in coordination with the executive committees of the okrug people's councils, must adopt a program on organizing pasture complexes and provide for the organization of 2 million decares of pasture during the eighth 5-year plan period. A comprehensive organization of the material basis of pastures should be insured and the obtaining of optimal quantities of animal production per unit of plots should be also insured by adopting and improving measures in connection with the full-fledged exploitation of all pastures and meadow available.

Pasture complexes must be organized by the "machine tractor stations and struggle against erosion" state economic trust and by the agro-industrial complexes as a unified territory belonging to the agricultural and forestry fund. Along with the budgetary means, bank credits should be used, and the agro-industrial complexes must spend their own means for these purposes as well. The production capacities of the pasture complexes established with budgetary means must be commissioned within a period of 2 years.

In accomplishing this task the Dimitrov Union of Komsomol Youth should be involved on a large scale.

17. The Ministry of Forestry and Timber Industry must establish an annual area of 80,000 decares of cultivated pastures from the forestry fund reserved for the use of agro-industrial complexes and other agricultural organizations and forestry farms, and the ministry must use the means provided for afforestation and amelioration purposes.

It is the task of the national agro-industrial union to provide for organizational measures aimed at raising and feeding cattle in the mountainous and border areas. Agro-industrial complexes are entitled to sign agreements with individuals, enterprises and consumer cooperatives in connection with raising cattle in such areas by supplying them with the necessary prerequisites.

By the end of the eighth 5-year plan period an increase by no less than 1.5 million sheep for meat and wool production by more than 50,000 meat producing cattle should be insured.

18. The national agro-industrial union, the agro-industrial complexes and the other agricultural organizations are entrusted with insuring an efficient structure of cattle breeding with priority to the development of sheep breeding and cattle breeding.

Pig breeding and poultry breeding should develop on the basis of high-quality material base and of existing reserves in private plots so that the needs of the population for meat may be better covered.

The national agro-industrial union, the Ministry of National Education and the committee on labor and wages must adopt measures, by 30 June 1981, likely to guarantee a comprehensive settlement of the questions of training executive cadres in the sheep breeding and cattle breeding sectors.

19. The national agro-industrial union, the agro-industrial complexes and other agricultural organizations must apply comprehensive measures in connection with reducing grain losses. The method of storing grain in high humidity without artificial drying are to be applied on a large scale. The national agro-industrial union must insure, by the end of 1985, the reorganization and modernization of the existing storage base and of the existing mills by using necessary credits from the Bulgarian National Bank for this purpose.

The Ministry of Machine Building Industry, the national agro-industrial union and the Ministry of Foreign Affairs must insure the production and delivery of the necessary equipment for the mills and fodder industry and for the silage storing premises.

20. To provide for the accelerated and comprehensive settlement of mechanization, automation and chemicalization processes in agricultural production, a coordination council attached to the national agro-industrial union and composed of representatives of the Ministry of Machine Building Industry, the Ministry of Electronics and the Ministry of Chemical Industry must be created.

21. The eighth 5-year plan must insure the necessary means and financial resources for developing, reorganizing and modernizing the material-technical base of agriculture, expanding irrigated areas and building silage and storage base for grain and flour, in accordance with the program on the increase of grain production. Along with the means allocated for the establishment of new irrigated areas, means for irrigation equipment are also provided for.

22. The Ministry of Chemical Industry and the national agro-industrial union must provide for the production and delivery of high-quality granulated and insoluble chemical fertilizers and insecticides for agricultural purposes according to respective periods and in conformity with the biological requirements of the crops.

23. The okrug and municipal party committees must insure daily, competent and close party leadership for implementing this strategic task, aimed at a new upsurge in our grain production, by paying particular attention to the most efficient utilization of available resources.

The main essence of organizational and political work should concentrate upon implementing the BCP Central Committee Politburo theses on establishing a new type of brigade organization based upon engineering projects. The new upsurge task in the grain production sector must become the profound conviction of all cadres, all communists, agrarians, Komsomol members and all working people in the rural areas.

The party committees have the task to implement a close leadership of comprehensive work in connection with training leading cadres, specialists, and mechanics, as well as in connection with organizing the new brigade organization of labor.

Party and economic cadres, experts, all communists, agrarians and Komsomol members must concentrate their efforts on applying new technological methods on a large scale and on strictly observing technological discipline, increasing grain production and to its thrifty utilization. Every specialist, mechanic and cattle breeder, every worker in the agricultural sector has his individual, specialized task in connection with increasing grain production and is personally responsible for implementing this task. The main criterion in evaluating the work of party leading bodies, organizations, all communists in the agro-industrial complexes and other agricultural organizations will be the production of optimal quantities of grain with minimum use of resources and the effective utilization of grain.

A characteristic trait of party work in this connection must be the analysis and mass application of frontranking experience in grain production and the transformation of this experience into a scientific notion, a conviction and a cause of all specialists and agricultural toilers. The mass introduction of frontranking experience must become the main essence of socialist competition in this sector.

The okrug and municipal party committee should intensify control over the work of all organs and organizations, over all communists and all cadres for the production of more grain and its most effective utilization.

Work in the production branches and departments engaged in the supply of agriculture with machines, raw materials, fuel, energy and others must be raised to the level of great new requirements in order to safeguard the prompt increase of grain production and its most effective utilization.

25. The mass information media must widely reflect and propagate the activities of the workers collectives in implementing the task of increasing grain production and also propagate scientific-technical achievements and frontranking experience, as well as contribute to preserve the centuries-old traditions of the Bulgarian people to highly esteem the daily bread and to save it.

26. The committee of state and people's control must intensify control, strictness and responsibility as regards the ministries and the other departments in connection with implementing the tasks of increasing grain production and its effective use and in connection with preventing wasting and squandering of bread and grain throughout the entire process of production and consumption as well.

27. The national agro-industrial union and the other state and economic organs are obliged to report, at the end of each year, to the BCP Central Committee secretariat and to the Council of Ministers on the implementation of the tasks emanating from this decree.

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The BCP Central Committee, and the Council of Ministers appeal to communists, united agrarians, Komsomol members, leading cadres and specialists, agricultural toilers, workers and leading cadres in other national economic branches and to the workers in the intellectual sphere to devote all their efforts and to work with selfless devotion and a high sense of responsibility for a new upsurge in grain production and for its effective utilization.

CSO: 2200

BULGARIA

BRIEFS

ZHIVKOV RECEIVES PERGAMON PRESS PUBLISHER--Todor Zhivkov, first secretary of the BCP Central Committee and State Council chairman, received Robert Maxwell, president of the British-American publish house Pergamon Press, who is visiting our country. During the talk the expansion of British-Bulgarian cooperation in publishing and in cultural activities was discussed. The meeting was attended by Milko Balev, BCP Central Committee secretary and Comrade Todor Zhivkov's chief of staff. [Text] [AU102107 Sofia Domestic Service in Bulgarian 2000 GMT 10 Dec 80]

PEKO TAKOV'S ACTIVITIES--On 10 December the managing board of the Association on Economic Tourism and Working People's Leisure held a meeting in Sofia. The meeting was chaired by Peko Takov, BCP Central Committee Politburo member and deputy chairman of the State Council. The implementation of the 1980 tourism plan was discussed, as well as the tasks posed by the 1981 plan. [AU141835 Sofia Domestic Service in Bulgarian 1000 GMT 10 Dec 80]

STOYAN MIKHAYLOV ACTIVITIES--Stoyan Mikhaylov, BCP Central Committee secretary, yesterday received the leaders of delegations of press and information agencies from socialist countries, who participated in a working meeting held in Sofia devoted to certain problems of cooperation in the field of information activities. The meeting proceeded in a cordial atmosphere and was attended by Emil Markov, deputy head of a BCP Central Committee department and by Ivan Budinov, chief director of the SOFIA PRESS AGENCY. [Text] [AU141835 Sofia RABOTNICHESKO DELO in Bulgarian 4 Dec 80]

CSO: 2200

GERMAN DEMOCRATIC REPUBLIC

VEGETABLE PRODUCTION FOR 1976-1980 SURVEYED, 1981 PROSPECTS OUTLINED

East Berlin *FELDWIRTSCHAFT* in German Vol 21 No 11, Nov 80 pp 483-485

[Article by Dr E. Engel and Prof Dr H. Froehlich, Grossebeeren Institute for Vegetable Production, GDR Academy of Agricultural Sciences: "Results of the Vegetable Production in the GDR After the Ninth SED Congress--Basis for Further Intensification in 1981"]

[Text] Implementation of the resolutions of the Ninth SED Congress and the subsequent plenary sessions of the SED Central Committee has further advanced the production of vegetables in the GDR by ensuring and stabilizing production and supply.

Success in Increasing Vegetable Production

Imbued with the spirit of political responsibility and by diligent and conscientious work cooperative farmers and workers in LPG's (agricultural producer cooperatives), VEG's (state farms) and GPG's (horticultural producer cooperatives) and their cooperative installations have accomplished excellent praiseworthy results by close cooperation with workers in the processing industry, trade and science. Compared with the years 1971-76 the state's income from field-grown vegetables rose according to plan from 1,015 kt (kilotons) to 1,302 kt in the years 1977-79. In the same time period vegetable production raised in greenhouses rose from 44.3 kt to 58.1 kt. By improving the storage of essential vegetables, i.e. of carrots, onions and cabbage, their supply was extended between 1979 and 1980 to last till the harvest of the new crop, which made imports unnecessary by increasing supplies on hand on 31 December from 269.7 kt to 361.3 kt. Supplies of vegetables available for processing by industry rose according to plan from 275.4 kt to 348.8 kt.

The plan for the processing of raw vegetables was fulfilled by the great effort of workers of the fruit and vegetable processing industry. Many special and weekend work shifts were spent in processing the deliveries of vegetables and fruits concentrated into a short time period following their harvest.

The supply of the population with vegetables from domestic production improved further as a result of the outstanding work rendered by wholesale and retail trade workers.

In addition, progress was also achieved in some areas by mechanization, for example in the growing of seedlings, harvesting onions, carrots and cabbage, enlarging the size of irrigated land areas and raising early vegetables by covering the cultures with perforated plastic foil when indicated.

In spite of the overall positive development the fact cannot be overlooked that the differences in results achieved by enterprises working under largely similar conditions have not yet disappeared and that in years such as 1980, when weather conditions were adverse for the growing of many kinds of vegetables, it was not possible to satisfy the demand every month. This confirmed the fact that every hectare of land allocated for raising vegetables must also be tilled and in case of weather-related crop failure replanted on personal initiative with a suitable substitute crop.

Ambitious Pledges To Mark the 10th Congress

On 7 and 8 August 1980 all parties of the vegetable supply sector held a conference under the leadership of Comrade Bruno Kreizler, SED Central Committee member, and Minister of Agriculture, Forestry and Foodstuffs Comrade Heinz Kuhrig to make preparations for the harvesting and processing of vegetables and fruits with minimum losses. The production conditions prevailing in 1980 served as the basis for the discussions. The agreed-upon objective was to make preparations for harvesting vegetables and fruits with minimum losses, thereby guaranteeing a high annual yield and good quality in order also to ensure the stable supply of vegetables and fruits in the spring of 1981 at the time of the 10th SED Congress. Currently the agricultural collectives are in the process of determining their pledges to mark the 10th party congress. Even though no final results are yet available to indicate the degree of fulfillment of the 1980 plan it can be said already that in spite of this year's unfavorable weather conditions the members and workers of agricultural cooperatives again made a great effort to supply the population with vegetables till the 1981 crops are harvested.

The changed reproduction conditions in the national economy make it mandatory to do everything to intensify production further by improving the utilization of available resources. This concerns LPG's, GPG's and VEG's specializing in vegetable production to a greater or smaller extent, socialist agricultural enterprises which grow vegetables for local consumption as well as small producers organized in the Association of Gardeners, Homesteaders and Small Animal Breeders equally. In the field production of vegetables improved yields, quality and assortment must be achieved primarily by introducing advanced scientific and technical production and rationalization methods. In addition, technical management shares the great responsibility for the efficient processing of all crops.

The Primary Objectives in Large-Scale Vegetable Production

In 1981 and thereafter the main objectives of large-scale vegetable production are:

Raising Vegetable Production in the First Half of the Year

Raising vegetable production in the first 6 months of the year using at the same time different types of energy depending on end use is of great importance. Here rhubarb and asparagus (Table 1), the hardy vegetable varieties with good storage qualities, are of prime importance.

Of the varieties which keep through the winter, leeks and Brussels sprouts are important in spite of the risk of crop failure when weather conditions are unfavorable; in the future also vegetables such as black root, kale and onions (planted in July) deserve even higher priority. New methods need to be found for these and other vegetable varieties in cooperation with researchers to reduce the risk of crop failure and improve mechanical methods of their harvesting and processing. Conditions for raising leafy vegetables, for example lettuce, kohlrabi, cauliflower and early cabbage but also tomatoes and celery must be created to raise both yields and quality and at the same time markedly increase the supply of early vegetables.

To that end experience gained in Leipzig Bezirk in balancing the seed stock requirement including the necessary reserve must be fully utilized.

As far as economically possible bituminous emulsion must be made available also in 1981 for selected drill vegetables especially for carrot cultures, primarily for those grown on fields exposed to wind erosion. To raise the production of field-grown vegetables the production of chicory root must be raised substantially as a basis for greenhouse production from December till March-April.

Table 1. Rhubarb production trend between the first half of 1976 till 1980 in tons

1976	6,540
1977	8,196
1978	11,523
1979	12,279
1980	16,063

Table 2. State-wide production trend in tons

<u>Year</u>	<u>Table peas</u>	<u>Table beans</u>
1965	23,675	17,771
1970	34,473	20,919
1975	29,501	22,755
1977/79 average	42,592	32,861
1979	48,351	42,237

Table 3. Trend of vegetable deliveries to processing industry in tons

<u>Year</u>	<u>Tomatoes</u>	<u>Cucumbers</u>
1965	1,868	15,274
1970	3,196	44,807
1975	6,009	55,225
1977/79 average	12,048	49,023
1979	16,586	55,747

Table 4. State-wide production of onions, carrots and cabbage in kt

<u>Average</u>	<u>Onions total</u>	<u>Carrots total</u>	<u>Cabbage late</u>
1971/76	67.0	155.8	353.8
1977/79	100.0	241.1	403.2

The above measures are designed to meet the need of increasing the supply of vegetables in the first half of the year with markedly lower fuel input. Even greater material savings can be achieved by exploiting consistently the experience gained with multiple use of perforated foil to advance the harvest of field-grown vegetables.

Increasing the Supply of Vegetables for Processing

The production of canned peas, beans, cucumbers, tomatoes and other vegetables must be increased in cooperation with the processing industry. Large increases in the production of these canned goods were recorded (Table 2 and 3), especially in the years following the Ninth SED Congress. Now the issue is to raise the production of canned vegetables further by still better utilization of specialized agricultural machinery and processing facilities. In the production of field-grown vegetables the experience gained in the staggered cultivation of peas, beans and cucumbers must be further refined, to improve in particular the quality of pickling cucumbers and tomatoes for canning. The quality of carrots and spinach must be raised in the future by reducing their nitrate content as much as possible.

Increasing Yields and Reducing Crop Fluctuations

Hidden reserves must be exploited in the coming five-year plan to raise yields and reduce annual crop fluctuations. Planned improvement of soil fertility is important in this respect. The main issue here is to maintain the high humus content of the soil required in the field production of vegetables, ensure complete irrigation of all vegetable cultures within the crop rotation system, provide for the drainage of wet spots and ensure necessary soil preparation in early spring, including fertilization and treatment of the soil with herbicides. Soil management decisions must be based even more consistently on soil analysis, EDP recommendations on fertilization and the increasingly sought recommendations on irrigation. The use of available supplies of herbicides and plant protectants must be ensured to the maximum extent and as efficiently as possible by intensive supervision of production. Securing weed- and disease-free fields for growing vegetables must be the goal of our efforts in the future too. In recent years attention has already been focused on supplying the market with the most important vegetable varieties in winter (Table 4).

Securing the Supply of Out-of-Season Vegetables

Initial success in supplying the market with out-of-season vegetables has already been achieved by close cooperation between state authorities, economic management organs, plant protection centers, storage and VVB [association of state enterprises] refrigeration and storage facilities and the cooperatives. But here too storage losses can be reduced considerably and energy savings achieved per volume of end product. These tasks must be tackled early by harvesting healthy crops

from the fields, cutting down the extent of crop damage during harvest and even further, in transportation and processing, and by strict selection of batches to be stored according to end use and length of storage.

In recent years research facilities together with agricultural enterprises have prepared numerous guidelines and recommendations for mastering these tasks. Now these favorable results must be applied generally.

8664

CSO: 2300

GERMAN DEMOCRATIC REPUBLIC

CROP, WEATHER REPORT PUBLISHED FOR OCTOBER 1980

East Berlin FELDWIRTSCHAFT in German Vol 21 No 12, Dec 80 p 568

[Article by Dr D. Krumbiegel, GDR Meteorological Service, Central Weather Bureau, Potsdam]

[Text] The Weather in October 1980

Except for a few days, air temperatures deviated but slightly from the norm. There was much rain in the second and third 10-day periods.

Up to midmonth, daytime average air temperatures mostly stayed from 1 to 3K below normal. Thereafter, positive deviations of identical magnitude occurred on most days. Noteworthy anomalies occurred only on the 28th (+7 to +9K) and the 29th (+3 to +6K). At the beginning of the month, daytime maxima had still come to values around 15°C. Thereafter, up to the start of the second 10-day period, maxima ranged around or slightly above 10°C. Around the 14th, the 20th and 21st, the 26th and at the end of the month, maxima lay below 10°C. Maxima up to 20°C were recorded on the 17th in the southern part of the GDR locally and in the entire area on the 28th. Light early ground frosts occurred widespread or in larger areas only on the 4th (locally down to -5°C), the 11th (locally down to -7°C), the 16th, 21st and 26th. In a total of 17 nights (in seven, four and six in the three 10-day periods respectively), ground temperatures dropped widespread or regionally but not below 5°C. Duration of sunshine was normal. In the first 3-day period, sunshine was most abundant.

Especially in the southern GDR, a period poor in rain was followed on the 7th by abundant rains (northern part around 5 mm, southern part from 5 to 15 mm, mountains up to 25 mm). From 10 to 20 mm of rain fell in the southeast on the 12th, in the entire area on the 13th. More abundant precipitation occurred on the 14th, the 21st and from the 27th to the 29th, mainly in the northern bezirks. In the summit altitudes of the mountains, the precipitation of the second and third 10-day periods came down partly in the form of snow. Pichtelberg temporarily got as much as 20 cm of snow in midmonth. Daytime averages of relative air humidity in the northern part hardly any longer dropped below 80 percent starting with the 5th, and only for a few days in the southern part beginning with the end of the first 10-day period.

Weather Data for October 1980 according to the Main Office for Climatology, Potsdam

1. Monthly Averages of Air Temperatures and Deviations from the Norm

Schwerin	8.5°C	-0.3K	Erfurt	7.9°C	-0.1K
Neubrandenburg	8.1°C	-0.2K	Leipzig	8.8°C	+0.1K
Potsdam	8.9°C	+0.2K	Goerlitz	8.4°C	+0.0K

2. Average Precipitation according to Bezirke

Rostock	76 mm = 143%	Halle	44 mm = 100%
Schwerin	59 mm = 118%	Erfurt	45 mm = 87%
Neubrandenburg	65 mm = 144%	Gera	61 mm = 136%
Potsdam	50 mm = 114%	Suhl	48 mm = 80%
Frankfurt	54 mm = 132%	Dresden	70 mm = 130%
Cottbus	64 mm = 133%	Leipzig	68 mm = 139%
Magdeburg	37 mm = 80%	Karl-Marx-Stadt	87 mm = 147%

3. Evaporation Potential

Northern bezirke	15...25 mm
Central Bezirke	20...30 mm
Southern bezirke	20...30 mm

Soil, Crop and Labor

Around the 8th, daily average surface soil temperatures dropped below 10°C widespread. That threshold value was temporarily exceeded only on the 17th and the 28th and 29th. For the rest of the time, surface soil temperatures stayed around 8°C. The subsoil cooled off relatively rapidly during the first 10-day period, thereafter but slowly. By the end of the month, from 8 to 10°C were recorded at a 50-cm depth, from 9 to 11°C at a 100-cm depth. After slightly dropping first, ground water clearly increased generally between the 5th and the 15th. Especially in the northern GDR the water level kept increasing throughout the third 10-day period. In the rest of the area, values changed but slightly. Measured under the turf for a depth of as much as 1 meter, differences from field capacities were as follows: light soils 0 to -25 mm, medium soils 0 to -40 mm, heavy soils in the plains of the bezirke of Magdeburg (southern part), Erfurt and Halle -75 to -145 mm, elsewhere -25 to 60 mm. These values, far above normal as they are in comparison with longtime averages, largely repeat, qualitatively as well as in terms of regional differences, the conditions in the autumn of 1978. The drier area referred to got from 205 to 220 mm of rain (= 85 to 100%) from July to October 1980, and the adjoining bezirke got from 230 to 300 mm of rain (100 to 125%). This diversified water level development resulted from the connection between the simultaneously higher evaporation values and the greater water storage capacity in the predominating acreages. In the rest of the areas with above-normal water level values field work in fall was possible only under greatly complicated conditions and incurred significant delays. The roadability and working conditions of the soils worsened since midmonth. As to the soil temperatures, prerequisites became mediocre for soil climatic processes. Friability and nutrient mobilization found themselves more and more hampered by lack of air.

Up to the 8th, with daily average air temperatures around 10°C and, initially, ample sunshine, growth conditions were still relatively favorable. Thereafter the temperatures dropped and impeded growth. The mostly somewhat above-normal air temperatures beginning at midmonth stimulated growth again but were not high enough for an optimum use of the ample ground water supply. The reduction in sunshine also amounted to an additional disadvantage. Relatively good additional growth was recorded for varieties that do not need much heat like grasses, cabbage varieties and crucifers. Sugar beets, however, are not likely to have gained what they might have gained still in October, especially with respect to their sugar content. For the winter crop prerequisites for coming up fast and evenly were very good. Crops sowed within optimum cultivation schedules showed good or even very good initial growth. Partly, especially in the northern bezirks, lack of air made crops turn yellow on drenched acreages. In general one must expect that the winter crop will form a flat and not very efficient root system and textures with a high water content. That creates greater winter crop risks than it usually does. Weeds had a heyday. Early frosts caused widespread damage in corn, tomatoes and beans. Phenological development showed a well-nigh unchanged delay of from 5 to 10 days.

The harvest of the silo corn, with slight frost damage in many cases, and the third pasture cut came to an end in the course of the second 10-day period. Adequate drying conditions for preparing ensilage still existed only at the beginning of the month. The high soil moisture content in most of the GDR brought it about that in the second and third 10-day period even minor precipitation caused considerable disturbances of all field work. This resulted often in higher tractive power requirements, the need for manual labor, quality impairment and the soiling of crop. Potato digging went on all through the month and could in part no longer be carried out through complete harvesting machinery. In the winter grain, especially the winter wheat, optimum sowing schedules could not be met for large parts of the acreage. Scarcely half of the sugar beet harvest was completed by the end of the month.

5885
CSO: 2300

EDITOR HIGHLIGHTS DEBATES ON UPCOMING FIVE-YEAR PLAN

Budapest TARSADALMI SZEMLE in Hungarian No 11, Nov 80 pp 3-9

[Article by Andras Taberi, deputy editor-in-chief of MAGYAR HÍRLAP:
"Productive Exchange of Ideas on Our Next Five Years"]

[Text] When we inspect the coming half decade and the period of the Sixth Five-Year Plan now being outlined in debates, on what can we base our confidence and feeling of assurance for further progress?

A great many people are thinking about the future at the present time, and in many different ways. Sensitive openness toward the future and a multitude of answers are natural today, since it is scarcely debatable that we are entering one of the most complex periods in the history of our people, and we could even say more appropriately that it is about time for us to live through this period. It is indispensable that the responsibility felt for the future of the country in the current of these changing times be expressed in various ways, not only in diverging opinions, but also in different forms of attitude. First of all it is natural that this attitude, representing an excessive plurality, an attitude which participates in public life with responsibility for difficult tasks and takes shape in confidence expressed in this way, but also with understandable concerns about the future, can be verified by society.

In no way can we dispute this right to be concerned, since this can formulate a strength producing deeds based on a deep sense of responsibility toward the people, so that the reason is disputable rather than the right. Depression caused by uncertainty renders our common venture and the realization of our national goals difficult, because arguments and national experience alike militate against it. At such times the situation must be realistically examined, and we must really keep focussing our human and material energy on the interests of the community and of society.

However, this primarily requires that there be a goal (and the route leading to it) for which it is worth working and enduring, and on which trust and assurance of further progress can be based.

There is such a goal and the program of work adjusted to it is being prepared: the plan.

More than 2 years ago work began to develop the Sixth Five-Year Plan. This work has lasted somewhat longer than originally planned, understandable when we recall that it was not only necessary to determine the development of the national economy forecast to 1985, but also to determine how to relate this development to international conditions, changing rapidly, and to our detriment. Consultations conducted with the CEMA countries and forecasts of international competition showed that we cannot count on an improvement in foreign economic conditions during the next 5 years. Therefore the terms of trade will become more unfavorable for us, especially because of the relative inflation of energy sources and of raw and basic materials.

Our domestic experience of recent years has been associated with these forecasts, and all of this continuously interacts to form the plan. During the first 3 years of the Fifth Five-Year Plan the development of the national economy deviated greatly from the estimates. Efficiency did not improve as much as expected, and the foreign-domestic balance was considerably upset. In the final analysis the import surplus in the foreign trade balance exceeded what was planned from year to year. In addition the surplus in the balance in 1978 did not originate in a foreign trade price situation unfavorable to us, but in the domestic balance stresses.

In December 1978 the Central Committee determined that the growth rate of the economy and domestic usage should be subordinated to the state of the national economic balance, and that in this way the achievements gained in the standard of living could be stabilized. The trends of improvement verified this decision as early as the following year, 1979, and the disruption in the balance was successfully stopped.

This course adjustment, which was reinforced by the resolution of the 12th Congress and which was raised to the rank of a basic conceptual principle of planning for the term of the following 5-year plan, determined the basic traits of the extended plan: the extent of increase, the level of domestic distribution lower than the increase, and the estimates emphasized for foreign trade. Along with all this, or rather as a condition for solving the complex tasks, more efficient and more modern management will come to the fore in the social program of the coming 5 years.

The autumn session of the Parliament, the address of the Prime Minister and the speech of Comrade Janos Kadar not only specified what we want to accomplish in the next 5 years, but also how. In the final analysis Comrade Kadar outlined the unvaried goal and the method, by now traditional, of achieving it in these words: "...It is worth the fatigue if we compare the promise made to our people almost a quarter of a century ago, when the state of our domestic policy was very difficult and we were seeking a way out, with what we have produced from it." The quarter-century policy of

our party is continuing in the fact that now, under more difficult circumstances, we are developing the plan, the second program of the party, through democratic debate, that we consider the opinions of the people indispensable, not only in the execution but also in the elaboration of the program, and that, now as always, we are basing our policy on: By human words we are capable of convincing as many people as we are of our correctness and of what must be done.

In the midst of developing the social policy strategy for the coming half decade, we have partially narrowed and partially expanded the focus of analysis and viewpoint. The scope of actually planned processes was restricted to the essential, while at the same time the range of the forward-looking exchange of ideas, preliminary to decision-making and concerned with the fulfilment of each and every task, was expanded.

The national discussion of the guidelines of the 12th Congress in the preparations for the extended plan was the traditional method. Traditional method, we may add, in the formal sense of the idea, but new in execution when we consider the fact that now everything is more complex than in the past, and that basic strategic questions more directly involved with personal destiny were at the center of the debates. Some 200,000 speakers from 24,000 basic organizations and a multitude of non-party speakers, encompassed in social, professional and other organizations, explained, debated, corrected and specified the guidelines which were able to be elevated by this nationwide understanding, and even harmony, to a resolution of the Congress, namely that the country, unified in the debates, accepted the program treating the balance as a priority.

However, the resolution of the Congress, also adjusted flexibly here to the changing requirements, only set the strategic substance and designated the major developmental outlines of the coming 5 years. The resolution pointed out that: "The economic policy, beginning with the real situation in the period of the Sixth Five-Year Plan and adjusted to the long-range goals and changing circumstances, must assure the planned development of the national economy."

Formerly this policy phase was followed by professional planning debate on the concept of the plan and at the same time by development of enterprise and council planning work. This is still the case now, but with the additional feature that the Council of Ministers has asked for the opinions and attitudes of the directing bodies of 11 social, professional and scientific organizations. In this way the plan documents were debated by the Patriotic People's Front, SZOT [National Council of Trade Unions], KISZ, the National Council of Hungarian Women, the Academy of Sciences, TOT [National Council of Producer Cooperatives], OKISZ [National Federation of Artisan Cooperatives], SZOVOSZ [National Federation of Cooperatives], the Chamber of Commerce, the National Economic Society, and MTESZ [Federation of Technical and Scientific Associations] through their executive bodies. The executive committees of the Budapest and megye party committees also discussed the plan guidelines.

Before we describe the viewpoints of the conferences, it will hardly be superfluous for us to place the additions and changes into the coordinated organization of our policy, or more precisely, the values showing the changing tendencies. In this case it was not only a matter of great social benefit which could originate in any single step in the march of social democracy, but much more a matter of the fact that recognition of opinions and counteropinions and a political mapping of the structure of interests can strengthen the base of the decision-making process, increase the chances of correct decisions, and unite them in the traditional style of party leadership.

As far as the last element is concerned, let us appropriately recall the resolution adopted at the March 1968 meeting of the Central Committee, in which the Central Committee determined the development of its own method of operation. The resolution read: "With a view to preparing for correct decisions, it is necessary in any reasonable case to be familiar with the diverse opinions which emerge when judging the substance of a given question."

Before the Central Committee debate on the guidelines of the Sixth Five-Year Plan, the modest statement could probably be made: This is a reasonable case.

Still, let us mention first of all the unanimously harmonious points of view emerging from the responsibly fervid discussions, from the committed analytical discussions of the fateful questions of the nation, and from the scrupulous discussions seeking ways and methods of building socialism. This important reason militated that alternatives not be formulated counter to the substance of the extended strategy and great national purpose of restoring the balance (not even when discussion concerned the timetable or rhythm of the restoration) in the discussions, in which politicians and scientists, workers and ministers alike developed their opinions of the substance of the debates in real, and therefore polemic, judgments. However, this again socially verifies and emphasizes that we have basically no answer to the challenge of the times than the one we have expressed: creation of a dynamic balance based on improved efficiency and structural reorganization. This is now the path which can be followed in building socialism in Hungary!

A glance at the above list of organization invited to debate is sufficient to make it clear that sociopolitical and professional points of view were found in this exchange of ideas, and not at all in such a way that limited prudent and appropriate boundaries could have kept the sociopolitical or economic and technical opinions developed from being advanced. In the debates (as would naturally be just as necessary in life and experience) these methods of approach to the plan were appraised together everywhere, and this is exactly how the strategic and substantial unity, to which we have just referred, originated in responsible association between social demands and economic possibilities.

It seems proper for us to demonstrate all of this with a few textual extracts. For example the SZOT Board considered it vital that the most important task in the coming 5-year plan period be an increase in the economic strength of the country and an improvement in management, in conjunction with the short-term and long-range goals of satisfying the needs of society. Gradual improvement in the state of the national economic balance, and preservation and consolidation of the results achieved in the standard of living should basically be assured by increasing the efficiency of social production. The National Economic Society expresses their opinion thus: "The Board of our Society is in harmony with the main goals and with the general trend of the plan." The statement decided on in the Academy of Sciences was: "Within the common difficulties today in the Hungarian national economy and the world economy, the plan on the whole distinctly designates the central tasks and determines the main points." There was one more opinion: "On the basis of the opinions collected and recognized in MTESZ so far and emphasized during the debate, we can definitively state that everyone considers the concept of the Sixth Five-Year Plan to be realistic."

Necessarily the opinions and standpoints within this basic harmony differ from one another.

We have said necessarily, and appropriately following the trail of this necessity we can now approach the flow of content in the instructive debates.

These conferences can probably be characterized primarily as instructive because of the expression and literal idea of necessity. As far as the essence of the matter, its social nature, is concerned, instruction is not new in Marxism in general and in our party practice in particular. We refer to the structured nature of interests which our two Congressional resolutions have made an important circumstance, not only because of its objectivity, but also because of its technical organization. We also know that there is a fee for the school of experience teaching that no protection from harm to the common interests is provided if we qualify a difference in interests as a contradiction to the interests of socialism (this follows from wilful actions and opens the way to damaging the interests of society, to be healed with difficulty). Actually the situation is quite the reverse: the primary demand of socialism is that the basic identity of interests be established by constantly renewed union of the deviations expressed more and more unanimously!

It naturally follows from this that venturing one opinion or another on the special debate on the basis of interests does not constitute a stigma but a sign, and we can consider these opinions as useful contributions to work, interpretation and judgment in decision-making. In this exchange of ideas the nature of the scope of the plan is found in the unanimously approved understanding that, while eschewing from details, it made changes in reality continuously acceptable, and it is only natural that this scope

"becomes saturated" with full justification by more and more content in the diverse methods of the representative concepts.

Here let us first mention the interest with which we are absolutely familiar: its isolation is simultaneously dialectic identity with the long-term interests of all society. This is naturally the matter of the division of labor (and this priority in publication demonstrates how much we welcome the manifestation of interests and treat them as convertible to our good). A great deal of responsibility, felt for all of society, is mirrored in the standpoint of professional organizations, since among other things they point out the basic requirements that the balance relations of the economy can only be permanently improved by efficient progress based on the modernization of the planning, regulation and measurement system more definitely effective with changes in the division, which at the same time can be the way to stimulate increases and to raise the national income able to be utilized at home. The SZOT Board emphasized: "It requires that the governmental organs turn their particular attention to having the place of the working class, especially the workers in the large industries, take shape in correspondence to the position and performance occupied in social production." It is obvious that the professional organization conference strongly emphasized every factor which concerns preservation of the standard of living, planned harmony between prices and wages, full and modernized employment, and social benefits. A single conclusion, only for purposes of illustration, is stressed. The SZOT Board points out with great resolve: "We must not make room for 'economies' which can take place at the cost of safe working conditions."

Complete unity in essence or in work aimed at progress and at the same time debate about methods of solution are reflected in the debates and views of KISZ, speaking to represent the interests of youth. "Special justified attention is to be given to seeing that the evolution of factors determining the living circumstances of the young does not result in worsening their condition," states the KISZ Executive Committee, analyzing in detail the chances of youths getting an apartment, the possibilities and means of raising the level of education and supplies for the student society, and including the suggestions that the educational scholarships of students in universities and higher educational institutes be raised, and that the gym system be expanded to day students.

Scientific research, technological developments and innovative processes in material and human conditions necessarily came to the fore in the debates of the Academy of Sciences and MTESZ. They put into words the material uncertainties of the expanded research and development plan, as well as the fact that more penetrating research is necessary on the kinetic laws of the intensive economic sector, the relations between the economy and the social policy, and their interaction with the theory of nationwide economy. In speaking of the subjects of leadership and the cadre policy in MTESZ, they stressed that "There is a need for leaders to

undertake risks, not of an official type, but of an innovative type," and pointed out that technological careers have lost a great deal of their attraction.

In the debates of the executive organs of the cooperatives a whole list of proposals, comments and demands were outlined for the agricultural, consumer service and industrial cooperatives. The mood of the debates is demonstrated, for example, by the ideas of the SZOVOSZ Board, that the differences in the regional level of goods supplied were too large, and this could not be continued, better use of dormant capabilities should be further encouraged in the housing cooperatives, and the Board "sees a great deal of attraction and benefit in establishing resort cooperatives." In addition to formulating proposals SZOVOSZ asked to participate in solving the tasks. This is also indicated by the fact that the consumer cooperative system helped considerably in the execution of the plan by organizing supplies of goods, housing services and private farming. Enterprise experts on the Board of the Chamber of Commerce formulated the demand that technological development and better possibilities for distributing basic financial assets for investments among enterprises be conditioned by more flexible and resilient management.

Worthy of attention is the common thread of argumentation which appeared as a demand at almost every conference, namely that we basically qualify the plan for the coming half decade as a social program, and that with this type of treatment stronger cohesion can be implemented in the economic goals and in the conditions and opportunities of the social policy. For example, the debates of the National Economic Society pointed out that, although the estimates of the plan are basically realistic, some details require more elaboration and improvement and, in this connection, that the role of the human element will grow in the next 3 years. The Board of the Academy of Sciences finds that the plan, despite all of its virtues, is still primarily economic and not sufficiently social. From this viewpoint these important social policy comments, which the body expressed as follows with respect to the plan guidelines, deserve attention: "Greater attention must be directed toward a tremendous improvement in quality and toward raising the level of health facilities and services." It would be useful, they add, if concrete programs could be linked to the realization of the plan concept and to better harmonization between interests. This suggestion was immediately augmented by a readiness of the scientists to participate in elaborating the programs. (Executive programs are being prepared for several particularly important goals of the plan, e.g., summarizing what has to be done in the development of energy management, domestic raw material utilization, housing construction and elementary schools).

In the course of constructive observations a role is played by concrete developmental ideas which cannot occasion any doubt when inserted into the plan, even when first heard, namely the financial conditions subject to judgment in the decision-making process. Here are found, for example,

those self-correcting observations which justified the faster and broader development of the infrastructure. However, it is obvious that a method of doing this can only be provided in a selective way, with due consideration of carefully selected, progressive directions. With respect to proposals for more intensive development of certain other manufacturing branches (e.g., the food industry, energy machine production, etc.), they can naturally be decided only in the course of planning and in consideration of concrete conditions to which we can pay a great deal of attention in the next 5 years.

Lenin believed that: "Planning is nothing but continuously, scientifically maintained proportionality in production." Now there is abundant example in Lenin's life work of what behavior the Marxist party must display when the task is not one of "maintaining" proportionality but of establishing or restoring it for any reason created by a history qualified by him as "insidious."

Now in our country, facing the specific agenda and needs of the times means that we cannot confuse the end with the means. We are now approaching the invariable goals of building socialism by improving the balance of the national economy and at the same time creating conditions for more rapid progress later.

If the plan, which is evolving naturally in the wake of the debates with due consideration of the opinions expressed, is approved as the plan law, it cannot be finalized in the sense that we thought of in the earlier 5-year plans. It will not only advance with experience in performance, but also obviously in the sense that good work can also expand its capabilities "during its course." However, this cannot mean that decisions breaking through the scope of the plan can be born from our distribution before the assets are established.

We have the strength to change the goals enumerated in the plan guidelines into reality. Our strength springs primarily from the oneness of the party, from the unity formed again and again from the masses, and from the ability to base the work done for the future of the nation on our greatest source of energy, the strength created by the masses.

In his Parliamentary address on the connection between the present and the future, Janos Kadar said: "Our directing principle is Marxist-Leninist science." It is a good direction, and that is why we follow it. We incorporate principles with reality, and so stake out realistic goals, i.e., only those for which conditions exist for implementation.

6806

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INCREASING REQUIREMENTS IN MANAGEMENT DISCUSSED

Budapest **PARTISAN** in Hungarian No 12, Dec 80 pp 24-27

[Article by Robert Kiesel, deputy minister of transportation and postal affairs: "Increasing Requirements in Management Work"]

[Text] It is an unalterable inheritance that the Hungarian economy does not possess the material resources by which it could become independent of the increasingly more difficult and complicated foreign circumstances. It is especially practical and justified in this situation to manage well those opportunities pointed out also by the directions of the 12th congress, when it emphasized the role and significance of human factors. We would be making our own situation more difficult if we did not take advantage of the resource offered by our prime producing value, active and creative human thinking and behavior, the creation and strengthening of a new type of relationship in the community.

During the current process of developing the Sixth Five-Year Plan in the areas of transportation and communication we have found ourselves facing the need to raise the levels of management work in several areas. Those areas where we will have to modernize our methods of operation are also becoming better defined.

Practical implementation and accomplishment of the congress resolutions requires, for example, that management constantly compare its own work with the requirements, and in harmony with this they are to adjust their methods of managing to the new requirements dictated by life. Of course this requirement covers all economic managers alike, whether they work in a ministry or at an enterprise.

The goals of the transportation branch--for example, developing a more proper ratio among the transportation branches, better utilization of the means of transportation, cutting back unjustified transportation and waiting times, spreading modern transportation methods--require more initiatives and more risk taking by management than before. Instead of the more comfortable behavior of carefully pussyfooting around the problems of economic operation, and postponing solutions--which undoubtedly requires less energy--a deliberate management style is needed including independent thinking and the ability to make decisions. More and more emphasis is being placed on the requirement that management not stop after identifying situations. They should not be satisfied by acknowledging that, for example, the utilization of vehicles, the level of their use is below the level which can be expected, or that utilization of investment tools is not sufficiently concentrated and implementation times are too long, or that cooperation

with shippers is not always free of problems either, but they should initiate specific measures to solve the economic operating problems and they should also make greater demands on the workers in the areas they manage. By also making more effective use of financial incentives, they should more vigorously demand maximum frugality with fuels and other materials, especially with imported materials, demand that waiting time between individual trips be decreased, that the quality of the goods transported be protected, and that the safety of transportation be strengthened.

It is a growing requirement for us to help develop an atmosphere in the areas we manage in which the greatest recognition is given for achieving the common goals. It is also necessary for us to take a stand against all efforts which may lead to the possible relaxation of greater economic requirements. From this derives the task of defining the limits of those efforts which wish to receive unjustified exemptions from the specific requirements of normative regulation by overemphasizing the characteristics of their branch.

The 12th congress resolution and the government program requires the modernization of management methods and management style in state administration, as well as in economic operating organs. For this the coordinated, uniform development of the state's administrative functions, operations, organizations, management means and methods is required. Also in the transportation and communication area, these requirements make it necessary to reinforce the effectiveness of the ministry's activities of directing and controlling economic policy. In directing work, we must make the national economy's interests prevail better than in the past. We must concentrate our attention on the economy's main processes--in our case on as efficient a fulfillment as possible of freight and passenger transportation needs of the enterprises and of the population. The situation calls for decreasing those interests of enterprises which are not related to the requirements, moderating those earlier efforts which were aimed at maintaining the enterprise's stability at all costs. We must provide better incentives to the enterprises to rationally regroup the manpower which can be made available, and also to moderate the demand for state subsidies by more fully identifying internal reserves. Strengthening the enterprising desire of the enterprises, and their ability to conform to market conditions can also be aided by doing this.

In recent years we have been taking better care in building as good a foundation as possible for the plans of the enterprises, and our efforts have been to properly implement the increased requirements in it. We consider it one of our most important tasks in planning to more consciously apply the value categories, which until now have not received sufficient attention. That is, a financial policy developed in a planned manner and properly used can be a great help in reaching our economic policy goals.

It is becoming less and less acceptable to believe that we have satisfied our task if we have transported every passenger and all freight to its destination. It is the job of managers to apply and make use of the value categories more consciously and with greater know-how in achieving goals and in evaluating work, instead of the quantitative approach they were used to in the past. It is important for economic management to make it an everyday practice to think in terms of costs, prices, profits or even losses. Economic managers will have to deal more, more thoroughly and with greater knowledge than in the past with cost

management, inventory control and frugality measures. Conforming to the changed circumstances can be achieved only if a management and directing practice containing these elements is implemented.

In several areas we will have to change the attitude that any additional task can be accomplished only through expanding the tools. In the future we will expect managers to exhibit such behavior and practice as solves tasks not necessarily with additional resources but primarily by making use of internal reserves, with more effective utilization of existing means. This assumes the development of an attitude and behavior which does not consider it to be below one's rank to thoroughly concern oneself with daily operating problems and with carefully organizing the implementation of tasks.

In the Sixth Five-Year Plan, the investment tools available to the transportation and communication enterprises will not increase in comparison with the previous plan period, and we must even expect that they will be decreased. From this it follows that individual investment projects will have to be ranked more carefully than before. Priority will have to be given to investments serving the branch's most important goals, for example:

- to develop mass transportation, particularly in the capital city and in the selected major cities, and in the traffic in the capital city's vicinity;
- improvements to the railroad network, which has definitive significance in freight transportation, and to individual railroad switching yards and railroad stations;
- creating the conditions necessary to apply modern transportation technologies;
- increasing the operational readiness and safety of transportation and communication;
- improvements to, and large-scale reconstruction of the telephone network.

Further development of the incentives can and must be helped also by the differentiated development of the organizational system of the enterprises and by modernizing their internal mechanisms. Experience shows that overcentralized organizations weaken the efficiency of financial regulation and make it possible for the income differences between economic operating units to equalize, thereby hindering the growth of more efficiently working units. In the interest of cutting this back, we must examine which jobs can be done more efficiently in smaller units, and self-accounting by the units must be further strengthened within the large organizations.

Within the framework of preparing the medium-range plans, evaluating the market opportunities of the enterprises, and developing their business policies, one of the extremely responsible and not at all easy jobs of managers is, while taking into consideration changing circumstances, to realistically and critically evaluate the sphere of the enterprise's tasks and area of operation, and the opportunities connected with this. Based on this, they must decide whether or not it is necessary to consider cleaning up the profile, restrict or eliminate or perhaps expand certain areas of activity. The possibilities of expanding their cooperation with other enterprises must also be evaluated. This makes it possible also for

not yet always the most practical work distribution in transportation to develop more correct ratios which would be in better harmony with the transportation policy's goals.

The performances accompanying the international expansion of our transportation and communication links, and the foreign currency incomes derived from these represent an increasing portion of the branch's activity. From this derives that new and increased task which is caused by implementing an active price and flexible foreign exchange rate policy--primarily for the managers of enterprises engaged in significant international activity. They must also consider further changes in the foreign currency exchange rates, and also that in general there will be no possibility to take advantage of budget subsidies to counterbalance the effects deriving from this.

The national economic goals specified in our employment policy, in increasing the social usefulness of work, and in strengthening the socialist characteristics of distribution will also have to be implemented in the area of services, thus also in transportation and in communication. It can be expected that the number of people employed in the branch will remain approximately at the present level. Preparations will have to be made in the plans for the tasks deriving from this by organizing work better, and by modernizing the technological processes. Simultaneously a significant reorganization of employment as a whole will also be necessary. This will require especially responsible and well-based decisions from the managers of enterprises. To wit, at this time a shortage of people can still be seen in some job areas, while at the same time manpower is being underutilized in other areas. These differences will have to be equalized out in an organized and managed way, endeavoring also to continue the favorable trend which has already begun and which is manifested in decreasing the proportion of management and administrative personnel.

The need to coordinate social, group and individual interests is an increasingly important characteristic of our economic management system. Harmony is best created in the various forums of the workplace's democracy. Through correctly interpreting and practicing this, the workers can be made truly interested in achieving the designated goals.

Our experience shows that the initiatives of management are best supported by their subordinates where the goals and contents of the initiatives, and the tasks these will mean for them are introduced, discussed and accepted in democratic forums. In the work of managers, it will be a more and more vigorous requirement every year to openly share their problems, even those concerns in which the change is not up to them, not up to the local management. This is the only way they can earn the understanding of their workers. Managers must see that they will suffer no loss of respect by the workers also becoming aware of the problems, since solving them by joint efforts is always easier. On the other hand, it will always damage respect and harm the cause if certain phenomena are judged erroneously or if efforts are made to paint them in a better light. Open discussion between the workers and management is indispensable in overcoming problems.

Even in the past, the ministry's management endeavored to promote the development of socialist democracy as well as possible at the enterprises under its supervision. The studies we have jointly conducted with the economic managers and with the political and social organs have also confirmed that with the more effective operation of plant democracy forums, and with better utilization of our opportunities

we can promote the accomplishment of our goals set by the Sixth Five-Year Plan, and we can bring existing reserves to the surface.

Increasing the efficiency and profitability are helped most by developing an atmosphere in which the principle of distribution according to the work done definitely prevails. By the way, this also coincides with the wishes of most enterprise workers, since no collective is made up of people with the same performance, diligence and behavior. The method by which everyone receives the average wage increases must be eliminated from our practice of paying wages. The responsibility and, at the same time, the risk must be accepted that those who earn it with their performance receive significantly more than the average, while there may also be those who will receive no wage increases at all. If managers strive to bring issues of such a nature before the forums of plant democracy, the discussions will become more lively and more real, because they will be addressing questions which directly affect a broader circle of the workers.

In our opinion, the goals have now been clearly and unambiguously defined for the economic operating organizations as well as for the ministry's apparatus as a result of experience gained in economic operation which better conforms to the changed circumstances, of the analyses done within the framework of the medium-range planning work, and of the discussions and coordination conducted at the various levels. We can also see that developing modern and creative directing and management which relies on the initiative ability of the workers is an indispensable condition for successfully achieving our goals. These conditions can be implemented only with the support of the party and of the trade union organs, in close cooperation with them. We must also contribute to successfully achieving the goals deriving from the congress's resolutions by doing higher quality management work which allows the new and increased requirements to prevail.

8584

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MINISTER DISCUSSES ECONOMY IN THE 1980'S

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[Article by Istvan Hetenyi, minister of finance: "The Hungarian Economy in the 1980's"]

[Text] A political economist has much to say if he recalls Szechenyi. Istvan Szechenyi, a leading personality of the age of reform, expressed and carried out ideas which are worthy of attention even today. Progressive reform thinking, the intent to improve things and practical action were perfectly united in him.

His journal proves that he consciously prepared himself to initiate and carry through the reforms. "Hitel" [Credit], which appeared 150 years ago, was the first powerful expression of these thoughts. The selection of the title "Hitel" had a double meaning. It stresses faith [hit] in social and human development and it stresses a basic question of economic activity. His point of view is still that of everyone ready to improve things: "Why are things as they are--and did they have to be so or not?" This is the basic question of his thesis expressed by Szechenyi in the introduction to his work.

This question is timely today also. Our revolutionary age requires a whole series of reforms which receive their seal socially from the program statement of the Hungarian Socialist Workers Party and economically from the reform of economic guidance initiated in 1968. Our reforms are parts of our revolutionary transformation and they will prove no less significant than what happened in the 1830's. Naturally, the historical situation differs from that of the age of reform. Our society does not stand before the need for a revolutionary transformation, rather it is in a developed epoch thereof; in principle the social relationships do not fetter economic progress. In its international determination our economy differs qualitatively from the earlier one. But to be a reformer, in the creative sense of the word, is no easier task today than it was in Szechenyi's age. It is still true today that the road to economic development, to the development of the forces of production, leads through an improvement of production relationships. His profound conviction that men must be won to the good, progressive cause is worthy of attention and his personal efforts in this regard are to be followed.

The close unity between the spreading of his ideals and his practical activities, manifested in the life work of Szechenyi, is exemplary. For example, his profound psychological sensitivity and his subjectivity directed toward the good gave him the courage to act from day to day, undertaking the burdens of temporary failure and the need to begin again.

When introducing our economic policy we had to choose between the important and the still more important, undertaking the accompanying dangers and criticism. In our aspirations we must emphasize those of long range significance, but which are still profoundly timely. Every economist knows the great significance of daily practice for the more distant future is the resultant of daily steps.

Let me begin what I have to say--very briefly--with a broader overview. It is well known that in the 1950's and 1960's socialist economic construction could be characterized as the age of great industrialization. But industrialization did not mean simply swift industrial growth and diversification; it also meant a powerful social-economic transformation. In the course of industrialization the worker class came to be the majority, full employment became permanent and the Hungarian village was profoundly transformed also. After the socialist transformation of agriculture we were able to surpass the production level of 1938. Economic development was accompanied by broad cultural growth and a proportional improvement of social security and living conditions. Between 1950 and 1970, national income increased three times and consumption increased 2.7 times.

As a result of the age of industrialization which came to a close at the end of the 1960's Hungary became a country with a diversified production structure and a developmental level which could be called a good medium in the world economy.

Further development of the economy requires radically new paths. The chief developmental trend of the 1970's and 1980's will be for the international competitiveness of the economy to catch up to the level of our most important trading partners. We must overcome the disadvantageous circumstances that even today the efficiency of production is relatively low; we have achieved our developmental level with a relatively large expenditure of manpower, materials and resources. In addition, some areas of the infrastructure are relatively backward even taking into consideration that in the case of dynamic development the property invested is necessarily relatively more backward than the income level achieved. It must also be taken into consideration that in practice employment is not increasing, indeed industrial employment and the full worktime base will decrease.

Certain autarkic tendencies--in addition to many other causes--are of fundamental significance in the unsatisfactory level of efficiency. To a certain extent these were deliberate at the beginning of the 1950's, or they were forced upon us; later--despite our efforts--they received support from the system of guidance.

To sum up: The crucial task of economic development is to realize an export oriented and selective production policy in which international competitiveness will increasingly be the standard and criterion of development and management. Subordinate to this, in coordination with one another and oriented toward sales, we must develop the technical level of production, the technological and product structure and factory organization and inter-enterprise organization. A gradually increasing part of the increasing net income must be turned to development of the infrastructure.

In the service of these new requirements we initiated the reform of economic guidance (well known in its chief aspects) in 1968--on a broad scale, after many partial initiatives--and we are striving for an ever fuller realization of these reforms. In the decade following 1968 gross national production increased by 5.9 percent per year, industrial production by 6.5 percent per year, agricultural

production by 5.4 percent per year and consumption by 4.3 percent per year. The structural transformation is indicated by--among other things--the creation of several new branches of industry (the natural gas industry, petrochemicals, computer manufacture) and increased use of our domestic natural and intellectual potential.

The positive processes which were getting started at the turning point of the 1970's were influenced to an extraordinary degree by the world economic crisis which took place in 1973 and by the lasting severe troubles since. This is understandable if we consider the significant role of foreign trade in the economy of our homeland. It is well known that following 1972 the foreign trade terms of trade developed unfavorably for Hungary and this led--together with an underestimation of the depth of the world economic processes and their effect on our economy--to a significant deficit in the foreign trade balance extending over several years.

The unfavorable world economic situation affected the economy at a time when internal power relationships also hindered a more consistent realization of the guidance reform. The external changes increased the problems of internal origin--for example those deriving from the contradictory requirements of stability and flexibility and from the income differentiation tendencies--into stormy conditions under which the understandable first reaction of a helmsman learning to sail a new ship could have been to reduce sail (the tools of progress). Indeed, some of the crew may have thought that it would be best to drop anchor in time of storm. There was not strength to carry out in practice a number of steps considered correct; there may even have been doubts about their correctness too. But in 1977 and 1978 it became clear that, adapting to the objective possibilities for economic development and taking into consideration the economic and social mutual effects, more courageous steps were needed to strengthen the balance of the national economy and ensure its further progress.

What characterizes the economic policy, valid for several years, which is accompanied by substantial changes and which began with the positions and measures set forth in the 1979 plan?

We set ourselves the immediate task of creating strong and lasting balance relationships which serve socialist development and are based on an improvement of the competitiveness of the economy, consistently reckoning with the world economic challenge and the real conditions of the country, subordinating to this goal quantitative growth and giving up the principle of the untouchability of factory stability, which developed amidst earlier conditions. This is the chief question of Hungarian economic policy for the 1980's. The realization of this policy began in 1979 and we trust that the 1980's, in this sense, will not last until 1990 but will come to an end earlier.

In order to carry out this task there must be an essential change in economic work, while preserving our general social goals and fundamental economic policy goals. In the age of industrialization the priority goals of economic policy were expressed primarily in rates of growth and the development of ratios--with a large scale concentration of resources--while the "how" of realization received less attention. Today, however, it has become a key question of our economic progress to what extent we can strengthen rational management and in what way we can mobilize more intensively the forces of our society to give a positive answer to the social and economic challenges. So the fundamental question is a more intensive social-economic self-mobilization. Growth goals can be put forth as a function of the development of this.

All this requires the overcoming of strong contradictions (although they will not be antagonistic contradictions if guidance is correct). Contradictions can represent a powerful motive force, but they can represent a retrograde force also. The contradictions of daily and long range interests, individual and communal interests, consumer and producer interests and interests attaching to stability and those attaching to change affect every step of the individual, of the collective and of guidance. And all this is not simply a scientific problem, rather it is a living, everyday problem. The successful or unsuccessful harmonization of them is of greater significance for development than the minor or major deviations in macro-economic or branch ratios. The plan is only a guidepost--it is not a motor. We can deal with the contradictions if we regard them not simply as quantitative problems but rather as a complex social-economic or qualitative question. Of course, a realistic recognition of a complex contradiction is not easy in itself. For example, the difference between enterprise and social interests frequently appears as a difference between daily and long range interests.

In addition, it is not enough if the individuals and collectives recognize the contradictions only intellectually; we must also create motivation and forms of movement aiding their resolution. For example, much harm was done after 1974 when many of the enterprises were simply made aware of the increase in prices, the rising costs, without feeling their effects in factory incomes. Even feeling the effects is not enough. The real task is to create conditions which will stimulate real action and force the giving of positive answers to the challenges.

What characterized our economic life in 1979-1980? First of all that a definite priority was given to the task of ensuring the economic, primarily the external economic, balance. To do this one had first to strengthen the foundations for rational economic action.

Of the steps aiding rational management the development of the price system is of outstanding significance. Beginning in 1980 we introduced in the competitive spheres of the economy prices which adjust to the world market price ratios or a price mechanism aimed at constantly creating such prices--with temporary compromises. It is characteristic of the price mechanism that in industry the official prices were narrowed down to energy and a few raw materials. The reform will not stop with producers prices but rather will extend to consumers prices also--gradually, with deliberate preferences coordinated with income development.

The role of financing in influencing production and income distribution is changing also. We are reducing the sphere of exceptional financial concessions and withdrawals and increasing the role of financial normativity. For the most part normative financial regulations are realized already in connection with the budget and production.

We are also encouraging better enterprise management by a further elimination of some constraints, by a better linking of research and development and production and marketing functions within the enterprise and by creating more substantive and longer lasting forms of cooperation among enterprises.

We are devoting special attention to the conservation demanded by rational management, especially in energy management and in the area of use of secondary and waste materials. Rationalizing the management methods of institutions in the budget and a better coordination of functions and the institutional system will give greater opportunities for conservation.

All these efforts will bring results if, when formulating economic goals and ratios, we reckon realistically with the possibilities of the national economy, not least of all with the requirements of the international balance of payments. We had to come to the conclusion that under such circumstances a lower rate of growth is a necessary condition for improving the balance and achieving the desired structural changes.

The economic processes of 1979 and 1980 indicate that the lower rate of growth and the restriction on domestic use were rational steps. In 1979-1980 combined the gross domestic product is expected to increase by 5 percent, net industrial production by 6-6.5 percent and net agricultural production by 2.2 percent. The increase in consumption will be 4 percent while accumulation will decrease significantly--gross investment by about 18 percent in two years. Even so gross investment in 1980 will account for about 30 percent of the gross domestic product.

The deficit in the foreign trade balance is being decreased significantly. The average deficit for 1979 and 1980, for foreign trade conducted in convertible currency, is one-third the average of the years between 1974 and 1978.

The economic policy to be followed in the 1980's must reckon--together with the already mentioned aspirations, world economic conditions, demographic conditions and the economic givens of the country--with a number of strengthening tendencies. One such tendency is that the social aspects of economic guidance will have an increasing role. The goals of our society are not identical with those characterizing the consumer societies of the west but increasing consumption and satisfying the needs of the populace--with appropriate preferences--are recognized parts of the socialist way of life. Our uniqueness appears primarily in income distribution but it must also be expressed in the circumstances of work and production. Social aspects will also increase in the production process. There can be no efficient socialist work without a close identification with the goal. We must increase the role of the democratic forums in developing the work of the enterprise. We are not narrow "economists"; we know that economic development will mean true human, moral and social progress only with a constructive mutual effect of economic, social and conscious factors, and not automatically. There is still much to be done in this area.

In addition, the role of internationalism is lawfully increasing in economic processes. This trend is not limited to trade or cooperation. It also manifests itself in such factors as the system of producers prices, in which the development of world market prices has become a factor of first importance, and it also manifests itself in an extraordinarily indirect form in that our society must have modern information about the world, knowledge of foreign languages, etc.

Finally (partly as a function of the foregoing), economic policy must handle in a new way the links between means and ends in the economy--earlier regarded in a simplified way as a simple hierarchy. In a paradoxical way my 30 years of experience as a planner have convinced me that, with the qualitative changes and the increasing role of personal factors, optimizing thinking using a goal-task-tool logic--which is associated primarily with the name of Tinbergen--does not entirely correspond to the possibilities of the political leadership, despite its theoretical closure and apparent indisputability, and that the creative dialog of planners and politicians can be made fruitful by approaching a concept of "improvement step by step."

We must avoid taking the long range goals as given, *eo ipso*, forcing into the background in the decision-making process any weighing of means and sacrifices. We must always examine in combination what we are capable of (or inclined to do)--weighing the social-economic factors together--and what steps we can plan for ourselves in the realization of our important goals--goals difficult to measure quantitatively. This way of thinking would strengthen in a useful way the realization of the basic principles of the 1968 reform. The economic goals itself is only a tool in the unfolding of human talents. Szechenyi also expressed this clearly.

Using this idea I would begin a discussion of our economic policy aspirations not with the questions of plan goals but rather with the question of economic guidance--the development of planning, regulation and the organizational system. Coordinated steps are needed in all three areas.

1. The task of economic planning will continue to be the development of national economic plans based primarily on the utilization of economic tools.

The national economic plan defines the frameworks for development--to be handled flexibly in its details. In addition, it contains direct state decisions and obligations. In production these are concentrated primarily on research and development and on investments. Experience shows that greater prominence should be given to the contingent nature of these decisions.

One can undertake definite obligations deriving from the long range thinking of the state only to the extent that the means for this are ensured. Decisions about the distribution of hoped for resources should be made in accordance with priorities in the plan, in an "if-then" way. In this way planned foresight could be harmonized with guidance and flexibility better than is done today.

This applies especially to 5-year planning because the 5-year plan, oriented toward developments which can be made concrete, has a leading role in economic guidance. Basically the annual plan serves to realize and adjust the long range decisions; long range planning, 15-20 year plans, with its broader and more complex studies, is primarily an intellectual exercise serving to provide a better foundation for other plans.

2. The character, general role and tasks of the regulator system have not changed in principle since 1968. The fundamental role of profit in developing the income of workers and the developmental possibilities of enterprises is more timely today than ever before. This is the point through which national economic, enterprise and individual interests can best be linked.

We should regard it as our chief task to see that the regulators better stimulate enterprising activity and aid a dynamic development of efficient activities, making uneconomical activity efficient.

I have already spoken of the changes made in recent years. I stressed the chief aspects of the transformation of the price system. In the years ahead we want to place the emphasis on a consistent functioning of this system. We want to broaden that sphere in which we use the price principle valid for the competitive sphere. We want to go further in the rational development of the ratios of consumers prices.

The role of rates of exchange and changes therein is increasing. We must weigh two contradictory factors every time we set the rate of exchange: on the one hand we need rates of exchange with which a greater portion of export is suitably profitable; on the other hand we must worry about the role of rates of exchange on the producers price level--and through that on the consumers price level. (A one percent increase in the rate of exchange increases the general producers price level by 0.6-0.8 percent.)

Our aspirations must be reflected in financial policy also. An income distribution is desirable which is uniform in an ever broader sphere but which ensures, via normative regulation changing in time as needed, that usable income remains within the frameworks of the income created domestically which can be realized and foreign credits which can be used rationally and, further, that the investment possibilities of the several enterprises should be in harmony with the efficiency of the respective enterprises and that they can increase accordingly the personal income of their workers.

Financial regulation should be suitable for a planned development of investment buying power and at the same time should provide suitable opportunity to profitable enterprises for a relatively swift development of competitive production.

We must also improve the balance situation of the budget with steps which strengthen rational management. To this end we must ensure that the budget gets a suitable share of net income and we must decrease the sphere of financial discrimination. Lasting preferences can be maintained only in connection with price policy considerations or in connection with the fulfillment of international state obligations in the strict sense. We want to limit the budget financing of investments for production purposes. We must realize rational and strict conservation in the management of budgetary institutions.

The regulation of investments is a well developed element of our regulator system but in many respects it does not work satisfactorily. This is primarily a question of financial and credit policy but it is closely linked to the national economic plan and to the setting of limits on state and enterprise decisions.

We are starting from the position that in the years ahead we should gradually place in the foreground, in the competitive sphere, investments, largely smaller investments, of a reconstruction character which increase export capabilities. In accordance with this goal the enterprises must receive self-financing possibilities dependent on their profit. In addition, they must be given a way to assume credits for developments which accelerate the structural transformation, in so far as these are profitable. Developmental ratios can be influenced with credit preferences also; for example, to the benefit of export development, energy conservation, etc. Some newer measures also serve this goal; for example, the foreign trade and industrial enterprises can use their resources together for export development investments.

Our practical experts frequently ask if it is justified to give export development investments an advantage, should not the same conditions be created for investments which save on imports. In my opinion, in the new price system one can achieve more favorable profitability than earlier with efficient import conserving investments, and here also one can get credit as an advance on enterprise resources. I feel, however, that it is justified to support in a differentiated way those investments which directly influence competitiveness in export, investments which bear the greater risk of export sales. If this were not so it would call in question the seriousness of our strategy.

4. The experiences of past years have directed attention to the importance of organizational questions. In some cases the interest relationships of the old organizations hinder the realization of our present aspirations.

In judging an enterprise organization we start from the fact that—as the enterprise law itself sets forth—"the state enterprise is the economic-organizational unit of society, an economic undertaking of the state." Thus the essence of an enterprise is the development of entrepreneurial readiness. Our goal is that, in the future, only that enterprise can develop at a swift pace—at least in the competitive sphere—which has a well founded strategy, which can renew as an organic unity its product structure, manufacturing processes and sales and which ever better corresponds to the standard of international competitiveness.

The developmental trends of the past 10 years did not always correspond to this. For example, a better satisfaction of needs will sometimes require smaller enterprises but in practice the attempt to simplify ministerial guidance and an uncritical opinion about the potential advantages of large organizations strengthened centralization. (Between 1975 and 1979 the number of industrial enterprises decreased from 1,561 to 1,371 and the number of agricultural enterprises decreased from 1,964 to 1,631.) It is our definite opinion that the organization should adjust to the optimal activity expected of the enterprise. This may require amalgamations or it may require divisions. It is primarily functions which it is desirable to combine today—for example, development, production or marketing. Horizontally combined organizations with too many members are ripe for division. In any case, we will strengthen independent accounting and interest of the factories within an enterprise.

In general we are developing the mechanism in such a direction as to give priority to purposeful developments of an enterprising character. This is how we designate state goals and rules for research and development policy and it is for this purpose that we are taking steps to aid prime contracting activity and the creation of inter-enterprise associations and new small- and medium-size enterprises.

Improving enterprise organization can be effective only if the decision spheres of authority, rights and obligations of the ministries and the enterprises are delimited more clearly, ever better eliminating the necessity and possibility for direct operational intervention by the guiding organs. Ministerial work also favors the spread of enterprising spirit and enthusiasm. This will be so only if efficiency becomes the chief basis in judging the development of enterprises and the quality of their leadership, if greater material and moral rewards are given to leaders who take risks, take the initiative and manage successfully and if the higher requirements are kept in mind when selecting leaders.

Among the organizational questions I should mention that we continue to feel that a multi-sector approach is useful, although this is a question affecting a good bit broader theme.

The state sector plays the leading role in industry, but one cannot neglect the cooperative sector which, in agriculture, is of outstanding importance. In trade also the cooperatives have contributed to our economic policy successes. Both the state and cooperative sector are suitable or could be made suitable for the spread of small- and medium-scale production; indeed, it is in our interest to increase

the sphere of private undertakings, linked to and possibly integrated with the socialist sector, in industry, trade and services, following the pattern of household plot and auxiliary farms which have shown good results for so long in agriculture. We see in small- and medium-scale production and in auxiliary or supplementary activities an organic complement to large socialist operations.

There can be no doubt that small-scale production also produces troublesome phenomena. But this follows not from the scale but rather, largely, from the current situation of this activity, which can and must be changed. Illegalities appearing here must be prosecuted just like those appearing in state and cooperative enterprises. Where the undesirable phenomenon--primarily income which is not proportional to the work--can be attributed to shortages and the lack of competition it can be prevented primarily by making the activity of the large enterprises more efficient, by increasingly ensuring a market balance and by a rational reduction of monopoly situations.

To conclude what I have to say about planning, regulation and the development of organisations I would again emphasize the complex, comprehensive nature of the tasks, the fact that they will serve planned development by strengthening one another.

Finally, let us look at what production trends we will follow and what development we can count on in the first half of the 1980's!

The fundamental tasks are: a strong improvement of the balance situation of the national economy including the foreign economic balance; an increase in the efficiency and international competitiveness of production based on qualitative factors, especially an acceleration of technical development and structural changes; and preserving and strengthening the fundamental results achieved in the area of the standard of living, improving living conditions. It appears realistic to expect that we will increase the national income by an average of 3 percent per year in the period between 1981 and 1985. This is no small task if we consider that the number of people of working age and the rate of growth of import from CEMA countries will probably decrease and that it will not be possible to increase investments because internal use may continue to grow more slowly than production and consumption will require most of the increase.

Taking into consideration the expected further deterioration in the terms of trade the rate of growth of our exports, at unchanged prices, must surpass the rate of growth of our imports by 4 percent per year.

In our foreign economic contacts the priority of CEMA integration remains but this will not necessarily appear in the growth ratios but rather primarily in our economic orientation. We want to strengthen contacts with both socialist and non-socialist partners in order to solve our economic tasks.

The chief questions of industrial development are linked on the one hand to changes in branch structure and on the other hand to changes in the enterprise product and technological structure. The more difficult questions are the latter ones. The branch and sub-branch structure of our industry is a good bit closer to the leading international level than is the competitiveness of the enterprises. As a result the chief goal in this area is to improve efficiency and accommodation to marketing possibilities; branch priorities independent of this are justified only as exceptions.

Energetics is a question of outstanding importance. It is reassuring that a 10-year conception for the development of energetics has been worked out. As a result of cooperation among the CEMA countries the energy supply of the country is basically assured on a permanent basis, if we conserve energy in a far reaching way at the same time. Domestic fuel production is expected to remain at the present level for the next 5 years; coal production may increase somewhat in the second half of the decade. In the electric power industry the construction of nuclear and coal power plants and imports from the Soviet Union will cover the increase in needs. We are treating energy management as a stressed question. A special energy management program and a special research program connected with this are being prepared.

In the primary materials industry there are generally means to continue investments already begun; in addition we are turning increased attention to modernizing the variety and improving quality because the export capability of the processing industry cannot be imagined without this.

Basically the concrete developmental investments of the processing industry belong to the decision sphere of the enterprises. Naturally, the branch structure of the processing industry is not a matter of indifference to the state. We consider that branch structure good which makes possible competitive export of a composition at least similar to that of moderately developed countries. Central development programs aid such a development in some areas also. We carried out such development programs in 1970's in the natural gas industry, the petrochemical industry, the aluminum industry, the manufacture of electronic computers, the spread of light structure construction methods and the manufacture of highway vehicles. In the future we will not prepare new programs based on large investment projects. But in two swiftly developing areas it seems justified to propose a program aiding an increase in competitiveness. One is pharmaceuticals manufacture, where the state can give an impetus to successful development primarily by supporting or bearing the costs connected with basic research and some of the infrastructural costs. A similar program seems useful for the development of certain sub-branches of electronics also.

The modernization of enterprise product and technological structure is a complex task. Guidance can contribute to carrying out this task with the already mentioned regulatory and organizational measures.

The matter of enterprises working with low efficiency or even at a loss is an especially complicated question. In the wake of the new measures the number of these enterprises may increase. We cannot prescribe the lasting support of uneconomical activity. But neither would it be useful or realistic to simply abolish significant enterprises. Instead of this these enterprises must work out action programs to modernize their product structure so that the future operation of the enterprise should become efficient; or the enterprise could limit its sphere of activity to efficient production, transferring a part of the available manpower and assets to other, successful enterprises.

The significance of the development of agriculture or of the foodstuffs economy, which includes the foodstuffs industry, continues to be very great. Although the international agricultural market will always be a market involving great risks for agricultural exporters, because of the protectionism of a number of countries, we feel that we cannot abandon full exploitation of our agricultural resources.

The correctness of this path is proven by those outstanding results, even internationally, which we achieved in the past two decades in grain and meat production. In addition, we can regard agriculture as a stabilizing factor in the Hungarian economy. Of course, what we said about industry is more or less true of the foodstuffs economy also, namely that in many respects outstanding results are achieved with relatively large expenditures. The expenditure of manpower is relatively large, largely as a result of the backwardness of branches serving agriculture. Energy use is great also, as a result of the introduction of industrial methods which were developed in the age of cheap fuel. There are many losses due to inadequate mechanization and unfavorable storage conditions. The possibilities of regional specialization are not being exploited because the stormy and uneven technical development of the past period differentiated profitability more than the natural conditions did. All these factors suggest the possibility of a significant increase in incomes. Our agriculture has a solid domestic and CEMA market and it can create a lasting market for itself in western and near eastern countries with suitable variety and deliveries.

We should not forget the importance of developing the infrastructure. But since the large-scale deterioration of the terms of trade has significantly moderated the social net income we have had to postpone the realization of a number of earlier ideas. Our strength is being spent primarily on avoiding or easing narrow cross sections and--in the non-productive sphere--on improving housing and basic social-cultural services for the populace.

In distribution policy our income policy is aimed at seeing that the incomes of workers and those doing physical work in agriculture--which are at the same level--change together on the average. The differentiation of wages and earnings according to work continues to be justified; the total of social allotments--primarily for pensioners--serving to even out family incomes is increasing. Despite the expected increase in consumers prices the low pensions and the family supplements for families with several children will maintain their real value. Full employment can be maintained if manpower flows more flexibly than heretofore into the developing sectors. Various types of state aid are needed, in addition to strengthening enterprise initiatives, in order to solve manpower movement in a useful way--while maintaining the free movement and initiative of individuals. We must put special emphasis on ensuring the placement of young people starting work.

Within social, cultural and communal development the construction of 370,000-390,000 housing units seems like a task which can be carried out; this means the construction of seven units per 1,000 persons annually.

We will improve living conditions with increased renovation of housing, improving nursery, kindergarten and hospital services, building more general school classrooms and developing the water and sewage network.

Our Sixth 5-Year Plan for the years 1981-1985 will outline in more detail the economic tasks for the first half of the 1980's.

Perhaps it can be felt from what has been said that we must carry out tasks which are less spectacular as compared to the development of the past quarter century, but they are no smaller either politically or economically. The policy followed since 1956 shows convincingly that the large questions can and must be decided with a correct appreciation of social relationships and forces, and that postponing

these decisions is a serious crime. This is how the party decided in 1957 in the matter of collectivization and in 1966--after smaller steps taken over 10 years--in the matter of economic reform. A step of epochal significance provides tasks for a decade, in the solution of which the formation of social awareness is perhaps the most complex. The possibility of the conscious guidance of a socialist economy does not change the fact that the regime does not guide things, rather it guides the actions of people who have goals and are ready to act for them, and it can count on success only if the individual aspirations as a whole are in the service of the common goal. Today also there must be constant, steadfast work so that the best forces, desiring to realize the modern and undertake the new requirements, should not meet with that lack of understanding in their environment which contributed to the tragic fate of Szecsenyi.

In the process of constant renewal the regime has received and is receiving significant support from domestic economics science and from the theoretical and practical cultivators of it. It is gratifying that a close link has developed between science and practice.

Speaking of the conditions for progress, Szecsenyi gave first place to the multiplicity of cultivated human heads. A study dealing with questions of education and culture might prove the truth of this thesis for the present age also. Today, in addition to multiplicity, perhaps an even greater role in progress is played by the goal-oriented action of scientific human heads motivated by a common interest. That statement of "Hitel" is valid today also that "it is best to begin every reform with people and especially with ourselves," and that before all else we must overcome the two chief enemies of our progress, prejudice and self-conceit.

"Hitel" was soon followed by "Vilag" [World] and "Stadium" [Phase] and the energy filled years of the 1830's. It received its emphasis from "Vilag," that "the deed is first, the word is second," and its living guide was taken from the slogan of "Stadium": "Every man is worth as much as he is of use." Economists cannot get a better guide than this for the realization of our present tasks.

8984

C90: 2500

DISCUSSIONS AT ECONOMIC CONFERENCES VIEWED

Budapest MACYAR NEMZET in Hungarian 18 Nov 80 p 5

[Article by Tamás L. Puskas: "Old Tasks, New Conditions" after the economic conferences]

[Text] Last week, two very important events of our economy took place. Between 10 and 12 November, a discussion was held by specialists in the Institute of Economy of the MTA [Hungarian Academy of Sciences] on the tasks involved in international production specialization and cooperation, and on the problems of competitiveness of the Hungarian economy. On 13 and 14 November, a conference on industrial planning was held in the headquarters of construction.

International specialization in production means cooperation. How do we stand in this respect today, at the end of 1980, how far have we gotten, and what are those areas where attempts at realization have been futile so far? At the conferences in addition to mentioning the successes, our leading economists discussed and listed dozens of problems and contradictions, and on that basis also made recommendations for their solution. The majority started with the view that international cooperation can be expanded only at a rate at which the domestic enterprises are able to expand their cooperation and the entire process of production renewal with each other. They have to reassess their "internal relations" so that international effectiveness should become the principal benchmark for every enterprise concerned.

Acceptance of this view at times also meets with ideological obstacles. To a great extent, because we have joined late (hardly more than 10 years ago) the international trade of technological-intellectual products, in a meaningful manner. Our enterprises which have turned inward and have striven to develop a more limited production process have not found it easy--to say the least--to change their production structure and production tools even if thereby they excluded themselves from the new possibilities offered by specialization-cooperation. (In the interest of their goal to build a more limited production process, they incorporated dozens and hundreds of small and intermediate-size firms to cooperate with them and deliver to them, making more sluggish our industrial structure and slowing down the ability to respond to the "challenges" of international trade.)

Also related to this--and to a great extent the result of this--is the fact that, from the standpoint of technological development, our enterprises can not fully grasp the entire production process. They have defined the product first and they have adjusted to this the development and capacity necessary for production.

What advantages could be derived from eliminating these errors and others not mentioned here? How could specialization and cooperation be increased? By developing enterprises the production activity of which would feature a relatively small number of work processes, it would become relatively simple to introduce modern machines and production methods such as computerized control of plant management, production processes.... And just as importantly: the development of applied scientific research and a more sensible strategy for the purchase of foreign licenses and knowhow could be achieved. This is the more justified because, in the total industry, the value of products manufactured on the basis of foreign licenses increased by merely a few percent of the total export by 1978. And in spite of the fact that, during the past 4 years, our intellectual imports have increased twice as fast as our product imports. Its effect is still rather negligible in comparison to the needed renewal of the production structure.

As we heard in the opening lecture of the economic conference, expansion of specialization as a principle hardly needs justification. However, heated and long debates are in progress concerning practice and the limits of its realization. The majority of the debaters concede that the extent of specialization is as yet much less than would be justified by the achievable technical level and by other technological-economic correlations.

Among the explanations offered, the most frequently heard is that the entire goal system of our economy, the Production preferences, planning and management are coupled with the direct demand structure of final consumption. However this "endproduct centeredness" characterizes the economy not only of Hungary but also of the other socialist countries. This makes it rather difficult to develop more advanced forms of cooperation than the current ones. And, in mentioning the economy of friendly nations and their problems, it is definitely worthwhile to discuss in greater detail the CEMA aspects of specialization, departmentalization and cooperation.

Last year, hardly more than one-fourth of our CEMA trade--and about 7 to 8 percent of our capitalist trade--was conducted on the basis of long-range cooperation agreements. This number tells much by itself. In discussing the causes, it should be first mentioned that the internal economic mechanism of the majority of member nations does not promote initiatives and independent activities by the enterprises but rather barely makes these possible. (If for no other reason, this is so because the domestic producer prices are different from both the world market and the CEMA foreign trade prices.) A recurring question is: who should initiate and carry out the cooperation and how? Well, in the majority of member nations, the central planning offices, branch ministries can be considered capable of action to "making use of" enterprises which have been granted foreign trade rights. Thus, there are fewer chances to engage in direct relations. On the other hand, it is a fact that the process has started in the partner nations as well--faster in some than in others--which can result in a certain measure of decentralization.

However, one of the conference speakers also pointed out that in no way should an increase in the number of specialization and cooperation agreements should not be forced. Under the given circumstances, there would be more need to expand and intensify the earlier, fruitful agreements. This can also contribute to a decrease in parallel manufacturing, still so regrettably characteristic of the industry of CEMA nations. Namely, today, the scale of products is unjustifiably broad in most places, and some of the products have very high energy and material requirements and low technical standards. This, too, strongly limits the possibilities of specialization and cooperation.

Similarly widespread debates were also conducted and are continuing about the respective roles of the enterprises and of central economic management to advance of cooperation. Well, first we should mention one of the "joint" tasks: defining, matching and solving the numerous technical-economic problems currently remaining provide work for everyone. (Of course only after those directly involved, the enterprises, first precisely evaluate their own strengths.) With respect to the tasks of higher economic management: much can be done to advance the cause of cooperation by using organization and regulations to support development, by forming the correct organizational system, by developing the supply areas, by providing the conditions necessary for the expansion of international cooperation and by providing subsidies--in justified cases. Of the above list, subsidies are probably one of the most important factors. Surplus investments should be with credits even more strongly than are now and surplus incomes should be left with the successfully producing factories.

Only a few of the problems and tasks discussed at the economic conferences of last week have been discussed in our article. We started with what one of the leading economists of the country expressed thusly: "The increased assertion of the terms of foreign market competition has brought problems to the surface which previously had received only secondary roles in our economic methods or which were completely obscured...."

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CSO: 2500

CHANGES IN DEVELOPMENT OF CONSUMER SERVICES EXAMINED

Budapest FIGYELO in Hungarian No 47, 19 Nov 80 p 5

[Article by Annamaria Halfar: "Services: Opinions and Plans"]

[Text] A change in the development of consumer services has taken place since the middle of 1979. The former rapid development has moderated, and in some services growth has been replaced by decline. The cause for this was the general rise in consumer prices and within that principally a rise in the prices of certain services. This especially affected laundry, tailoring, and hairdressing services. As a result of the decrease in business, there was a relative increase in fixed costs, and in many areas the amount withdrawn by the central government increased (or the amount of subsidy decreased), so as a result of these the amount of profit formed was less. It is expected that in most areas of service in the future as well--and in contrast with the targets--profitability will be considerably less than in the manufacturing industry. An even greater concern will be an even greater loss compared to today in possibilities for increasing wages and for development.

From the first opinion polls, conducted by the Central Research Institute for Development of Services, about opinions of service providers in 1980, it can be concluded that the service providers were inadequately prepared for the new circumstances and their effects, and as a result there was a decline in development in many areas. Only now have we begun to study the possibilities for counterbalancing these unfavorable effects. Many are still expecting central help and are rather looking for ways for that to happen than for ways to obtain additional income through new undertakings or utilization of internal resources.

In some monopoly enterprises a lack of readiness to serve can be observed: the difficulties are reacted to in a passive way, small units have been discontinued; wages have not increased as much as possible, and this has caused a decline in work force, which thus destroys conditions for offering services.

In the opinion of some 160 enterprises and cooperatives--principally the most important ones--a further moderation in services to the population can be expected during 1980 and the first half of 1981. In contrast to the general tendency, improvement can be expected in repair of communication items and household machines, and the rate of growth in repair of buildings will decline the least.

The average price level of services will increase this year, to a significant degree because of increases in materials and spare parts. Because of some transitory holding back on price increases (subsidies in some places), the increase in materials and spare parts will be greater in the second half of this year and in 1981. In the opinion of the service providers, the rate of increase will moderate in the first half of 1981, even though the prices of materials and spare parts will continue to rise at a rapid rate.

No significant change is expected in the number of service units in 1980 and 1981 according to the plans of the service providers. There is a general attempt among the service providers to reduce the proportion of stations where work is accepted, including those where the work is actually performed, that employ only 1 or 2 people, and this will obviously affect the customers adversely. (This also shows that a search for organizational solutions that will make possible economic operations of these small units is justified.)

The service organizations--probably because of last year's reduction in work force--expect only a small increase in work force compared to the increase in 1980.

The service providers do, however, expect a further significant increase in investment in 1980, despite limited investment possibilities in the national economy. But in 1981 already they are planning for smaller investments, even though in their opinion a reduction in investment will be less justified in the area of services than in other areas. At the same time, the service providers would like to have increased participation in the central resources, because in their judgement the new system of regulation introduced in 1980 does not provide enough means for development to even remain at the same level.

Self-financing can only be expected from the service providers if they can realize without restriction the new forms of free price movement and interests. The service providers are afraid, however, that further price increases will reduce demand, and therefore most of the service providers would rather accept the former operating conditions, based on subsidies and free of risk.

The operating organizations want to increase the quantitative and qualitative level of the services principally through organizational steps. It is characteristic, however, that the great majority of service providers are only willing to make small changes in this area. At the same time, many still consider extensive development to be the main path of growth. In significant numbers, they consider technical development to be the first task, mostly however, in those activities where most of the service units are behind the times (for example, building repair and hairdressing). They also consider an increase in individual interest to be important, and in this area every service provider intends to introduce some small change.

It is an aim of almost every service provider to reduce the time required, but at the same time most of the service providers will only undertake small changes in this area. Similarly, another important goal is an increase in the level of technical knowledge.

The development of services--according to those questioned--is hindered principally by difficulties in obtaining materials and spare parts and a lack of work force. The lack of investment funds is a general concern, and many are also concerned about inefficient services and inadequate interest on the part of the enterprises.

9611

CSO: 2500

PRESENT, FUTURE ENERGY MANAGEMENT MEASURES NOTED

Budapest FIGYELO in Hungarian No 47, 19 Nov 80 p 4

[Article: "The Present Status and Future of Energy Management"]

[Text] In Hungary, a one percent energy conservation would mean an annual savings of 600 to 800 million forints, of which half would be foreign currency savings. According to State Planning Committee estimates, energy the equivalent of 1.2 to 1.4 million tons of petroleum could be conserved annually through rationed energy management. These figures indicate, in a simplified way, the seriousness and rational economic importance of the problem. More effective energy management and energy policy, however, of course require complex economic and technical perspectives. It is not sufficient to merely take the quantity and quality of available mineral resources, the given efficiency of mining production and the current and future import potentialities as points of departure--that is, to treat the relationships from the supply centered view, as a matter of balance. It is also a distortion to approach the total problem of energy management from the consumer side, which is the demand centered standpoint.

At the conferency jointly organized by the Hungarian Economic Society's Statistical Department (Industrial Statistics and Factory Management Operations Section) and the Scientific Energy Management Association (Economics Division), held on November 18th under the theme, "The Present Status and Prospects of Energy Management," the demand side is receiving the greater emphasis, contrary to the years long domination of the supply centered concept in Hungary. The demand side, of course, is the nerve center of management and of the regulation and incentive systems.

Not an Index of Development

The addresses submitted placed the emphasis on the branch interrelationships of energy management. That the energy problems were handled as open ended was also characteristic of the addresses. Hungarian energy management was contrasted with international trends and with CEMA cooperation. In the discussions of domestic energy management problems global approaches and comparisons with world scale methods were apparent. There was agreement among the speakers that the efficiency of energy consumption in Hungary was significantly lower than the world level. We consume nearly twice the energy developed capitalists countries do to produce a national income unit. All of the data convincingly indicate that the most economical energy resource is the energy saved.

There are already noteworthy results in energy conservation. Currently the rate increase of energy consumption is lower than that of the national income. It is not an unrealistic goal to have a 3 percent average annual growth of national income during the Sixth Five-Year Plan accompanied by a 2 percent annual increase in energy consumption.

The greater portion of the decrease in energy requirements which has taken place thus far cannot be attributed to sensible energy management, but rather to the decrease in the rate of production. Because this decrease can only be temporary, development of a modern longer term energy basis cannot be abandoned.

The addressees unanimously noted that per capita energy consumption can no longer be utilized as a correct indicator of development. In fact, its continued increase can even be looked upon as a sign of the increasing obsolescence of the production structure. Of course, the up-to-dateness of individual production structures cannot be mechanically evaluated on the basis of specific energy consumption.

Those addressees which compared alternative energy sources--that is, the expediency of replaceability as a function of long range mineral resources evaluation--are highlighting the fact that the current method of efficiency analysis must be developed in such a way as to more accurately determine where to draw the line of demarcation between sensible management of demand factors and increasing the supply.

The addressees performed a very valuable service in concretizing energy policy tasks and in developing energy conservation action programs. The hydrocarbon problem was the focus of attention in the addressees. It came up in the analysis of electrical production plans, in the demarcation of the expected development directions of transportation and in construction industry and agricultural themes.

It is an advantage for Hungary that, as far as this product with unusually "nervous" price movements is concerned, it is protected from the explosive and speculative price fluctuations of hydrocarbons by a long range agreement with the Soviet Union. This advantage, however, does not eliminate the significance of the world economic "challenge" which is becoming "more severely" apparent in the area of hydrocarbons.

In general, the speakers see the domestic consequences of this "challenge" in the appearance of three requirements:

- the import level of hydrocarbons in the future is not in a downward direction. This provides good reason to continuously reevaluate expenditure levels, both by searching for alternative energy sources and by utilizing secondary and tertiary methods of domestic hydrocarbon production.

- In our long-range plans, we must expect increasingly more imports of petroleum from nonsocialist sources, altering our future expenditure structure.

- The rate of domestic hydrocarbon exploitation is coupled with decreases in our available reserves. In the long term, this may threaten the maintenance of our production levels. Thus it is imperative that the intensity of research be

increased, or, in the interest of preserving the supply, production must be decreased.

Significant conservation in hydrocarbon consumption may also be achieved through alterations in the manufacturing technology of petroleum. For example, according to the transportation expert, it would be more economical, on the national economy level, to change cracking capacities than to modify the design of hundreds of thousands of vehicles, or to replace our vehicle fleet. That there are still tremendous reserves in the utilization of our present vehicle fleet, the exploitation of which is a rather important source of energy conservation, is another matter. AFIT [Industrial Trust for Auto Maintenance] tuned about 200,000 automobiles in 1979, resulting in a fuel saving of 175 million forints.

Without a doubt, in the long run the consumption of hydrocarbons at as high a level of refinement as possible must be achieved. As a corollary, the chemical industry must develop faster than the expected rate of consumption, while for other branches the minimal program will be to maintain current levels, that is, sharp reduction of specific consumption.

Some branch-oriented addresses reflected the dilemma that our supply of energy consuming equipment is a given factor. Its replacement with energy conserving machinery would require investments, or would encounter market difficulties. It also became apparent that the conditions for sensible consumption alternatives can only be created gradually.

The Role of Hydrocarbons

Practically every speaker dealt with investments, three varieties of which emerged--energy basis development, investment activities (construction, etc) and internal investment structure. The speakers emphasized the priority and relatively rapid implementation of investments related to energy basis development, and also urged more resolute action. They emphasized that this is necessary even if specific energy consumption is decreasing and the growth rate of the national income slows temporarily (during the Sixth Five-Year Plan). In investment activities there are also unlimited opportunities to utilize less "energy hungry" technologies. A greater role is to be given to energy conserving solutions (insulation, heat generation and regulation) in the investment structure.

It is also important to decide what proportion of investment resources is to be devoted to increasing energy production, to energy streamlining, or rather, to other investments. This can only be decided if we know how much energy consumption we can expect in the future, and how much of it is possible, or rather, economical to supply from imports. Clearly, this last question may only be answered if we know the energy requirements which the investments, that is, the new capacities created by the investments, will require. Thus we have come full circle. Overall, these problems are closely interrelated with our total economic development strategy. Consequently, they may only be resolved, together with the determination of the growth rate and chief proportions of our economic development, within the process of national economic planning.

Indisputably in deciding these problems, those economic projections play a larger role upon which the appropriate development and reconstruction programs can be prepared.

Numerous case studies and detailed analytical papers containing a variety of supporting evidence were submitted to the conference. These are providing useful information for interpreting and handling energy conservation by individual enterprises, and are providing the opportunities for certain comparisons.

It is interesting to note that only one paper covered the specialized information tasks related to energy management. It summarized the first results of a computer study.

The theme selection of INFO was timely. Perhaps the conference would have been enriched if the speakers had also dealt with the statistical and accounting methods of energy management and with organizational and information tasks. The addresses made no mention of the dynamic calculation potential of economic efficiency, the significance of which is especially important for non-renewable raw materials. Although several addresses touched on it, many questions about the incentive tendencies of price scales remained unanswered. It would have been desirable to devote more time to the interest relationships which arise in energy management. These comments and observations are not meant to belittle the level and intellectual wealth of the papers submitted to INFO. The discussions richly supplemented the problems touched upon in the addresses. What is most important, moreover, is that recommendations which may be utilized in our energy management originated in [these] conferences.

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CSO: 2500

HUNGARY

ELECTRIC POWER PRODUCTION FACILITIES DESCRIBED

Budapest FIGYELŐ in Hungarian No 44, 29 Oct 80 p 10

[Article by Katalin S. Nagy: "Electric Energy Production in Czechoslovakia"]

[Text] The energy-generating industry is a key industrial branch in Czechoslovakia also. It is not a coincidence that when the energy economy experienced difficulties - for example, in 1952-54, or 1962-63, or more recently, during the first quarter of 1979 - it affected the development of the whole national economy.

The major problem of the Czechoslovak energy economy is that coal, oil, and natural gas amount to about 97% in its energy balance. As far as the supply of these materials is concerned, during the last decade Czechoslovakia was increasingly forced to use external sources. The following data provide an explanation: while in 1960, domestic production was able to provide 89% of the consumed energy, in 1980 the share of domestic sources fell below 62%. Admittedly, a contributing factor arose from the fact that from 1960 to 1975 it was possible to import the fuels under favorable conditions.

According to the statistical data, during the period from 1960 to 1975, the production and consumption of domestic fuels increased only by 7%, while the amount of imported fuels and of the generated energy increased fivefold. Within this period, from 1971 to 1975, the whole increase of the fuel needs of Czechoslovakia was covered by imports. The rapid increase of the price of fuels on the world market forced the Czechoslovak energy economy also to shift direction. An important goal was set - namely, that during the present five-year plan period, one-third, and during the next decade, 50% of the increase of the energy requirement will be covered from domestic sources, and it is expected that by the end of the eighties, the share of the country's own production will reach 70%.

In view of the fact that no significant hydrocarbon deposits are found in the country, the realization of the program depends in practice

on the evaluation of the coal production. The planned 1980 coal and lignite production amounts to 124.4 million tons. The most promising area of coal mining is the Ostrava anthracite mining region; however, the exploitation of the new seams proceeds more slowly than planned, and both last year, and this year, about 5-6% of the planned amount of coal could be brought to the surface only with the help of auxiliary activities - working on unscheduled days. Similar problems were encountered at the Northwestern Czechoslovakian bituminous soft coal mines.

Analyses of the projects for the development of coal mining indicate that the production can be extended to 132 million tons by 1985, and to 138 million tons by 1990. Within this amount, the anthracite production will substantially remain at the present level. The most significant development is expected at the Northwestern Czechoslovakian bituminous coal mines.

The Nuclear Power Plant Program

The other major problem of the Czechoslovak energy economy is, how to satisfy the electrical energy requirements of the national economy? During the current five-year plan, the coal production will increase by 14.6 million tons. By 1985, the coal mining industry will increase its production by 7.5 million tons, and by 1990, by an additional 6 million tons. This decreasing trend obviously cannot help to develop the energy-generating capacities. Solution of the problem involves maximizing economical operations in energy consumption, and initiating new types of energy sources in development activities.

The most significant of the new energy sources is nuclear power. Czechoslovakia has a relatively broad experience in the construction and operation of nuclear power plants. Construction of the prototype-scale nuclear power plant was started at the end of the fifties at Jaslovské-Budovitz in Czechoslovakia, and the country's first 880-MW nuclear power plant was also initiated there. The first reactor was brought to power in 1979; the second, during March of this year. The first unit produced more than 2 billion kWh. Two additional 440-MW units will be installed in this district. At the same time, the second largest nuclear power plant is under construction in the South-Moravian site at Dukovany; the first four reactors of this plant will also be of 440 MW (the first one will start operating in the spring of 1983) and during the year, preparatory work for the third nuclear power plant will be started at Břehov in the Leve. The fourth power plant at the community of Malovice, north from České Budějovice will have a capacity of 4 x 1000 MW. The electrical power generated in the nuclear plants will reach 15-17 billion kWh by 1985, which is more than one-fourth of the current power production. At present, construction of nuclear power plants still requires more investment than bituminous coal fueled thermal plants. On the other hand, they are able to produce 1 kWh energy at

a cost lower by 50-60%.

The other path of the development consists in taking advantage of the up to now little used and not suitably exploited energy sources. Among these, water power must be first mentioned. The capacity of hydroelectric plants amounts to 1800 MW. Their share in the energy production keeps decreasing. According to the Czechoslovak water economy surveys, the capacity of the hydroenergetic potential is utilized at present only at a rate of 36-38%. The current exploitation level will reach 60% with the completion of the Gabčíkovo-Nagymaros Vízvesztőrendszert hydraulic system and 75% when additional domestic power plants will be installed by the year 2000. At present, hydroelectric plants are under construction at the Black Vag river at Blouhe Strane, Kralova and Neded, and the installation of six additional hydroelectric plants is planned.

Consideration has been given to the potential establishment of a supplementary power generating capacity. The most immediate program among them involves the construction of "dwarf hydroelectric plants". In Czechoslovakia, 3.4 billion kWh of electric energy is produced with the help of dwarf hydroelectric plants with a capacity of less than 20 MW. 10% of this is produced by units of less than 1 MW, while additional 20-30% are generated by 1.5 M.W. respectively 10-20 MW units.

International Cooperation

15% of the energy consumed in the country this year will be imported. The first step in the international relations in energy generation consisted in starting the exploitation of the 110 kV transmission line between Czechoslovakia and Hungary. Since 1958 several international transmission lines were built. The unified electric power system of the CEMA countries was gradually built up, and in 1963, a dispatching center was established with a headquarters in Prague. The jointly built 750 kV transmission line between Binica and Albertirea and the 400 kV transmission line, branching off from this toward Czechoslovakia, connecting that country with the largest energy system in the world, represents a higher level of integration.

The Czechoslovak machine-building industry was also assigned an important part in the nuclear power plant program; supplying a large number of technological installations, it participates not only in the domestic effort but also in the construction of the nuclear power plants of the other CEMA countries, including also the construction of PAKE plant.

The country carries out important transportation tasks for oil and in particular for natural gas. The more than 2200 kilometer long gas

transportation pipe line, which according to the plans, will transport nearly 30 billion cubic meters of Soviet natural gas during the year, both to socialist and capitalist countries, will be completed this year.

In order to ensure the power supply in the future, Czechoslovakia is participating in the construction of the large-capacity nuclear power plant in the Soviet Union, and in cooperation with Hungary, it started the development of the Danube hydraulic system.

Construction and Operating Costs of Power Plants

	Investment costs, crowns/kwh	Fuel costs Crowns/kwh	Consumption of own energy, int	Labor Require- ments Head/MW
Thermal plant fuel with bituminous coal	4300-6000	0.125	8.0	2.5
Nuclear power plant (VVER 440)	9600-10,500	0.75	8.0	2.5
Nuclear power plant (VVER 1000)	7600-8000	0.066	7.5	2.0

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CBO: 2500/80

BRIEFS

NEW RABA TRACTOR--A new type of Raba tractor, the first model of the Raba 360 series has been completed. The result of the Raba Hungarian Railroad Car and Machine Factory's product development effort, the new machine out-performs models already in serial production. It was developed in response to the requirements of the agricultural production systems. In line with its superior performance, it has been equipped with a stronger clutch. The operator's cabin has a more comfortable seat as well as a tiltable steering wheel. A compressor for maintaining tire inflation has been mounted on the motor and makes for safer operation. The machine has a 310 hp motor. An additional 14 Raba 360's will have been assembled by the end of November at the Budapest Red Star Machine Factory (Voros Csillag Gepgyar) of Raba. All are to be delivered to the farms of the Babolna Production System. [Budapest MAGYAR MEZOGAZDASAG in Hungarian No 49, 3 Dec 80 p 10]

CSO: 2500

THREE-YEAR STABILIZATION PLAN SUGGESTED TO RESOLVE ECONOMIC CRISIS

Warsaw ZYCIE GOSPODARCZE in Polish No 47, 23 Nov 80 pp 1,6

[Article by Mieczyslaw Mieszcankowski: "Targets of the Three-Year Stabilization Plan"]

[Text] The current socioeconomic crisis is structural in nature. (It was born out of the errors in economic policy in the 1970's)*. This means that the way out of this crisis calls for structural changes in the economy, which at the same time means that it cannot be done quickly. The whole network of undertakings aimed at getting out of the crisis should take on the form of a comprehensive three-year plan to stabilize the economy. This plan should be applied to efforts of not only an economic nature but also a social one. Some of them would be ad hoc in nature. In this article we shall discuss the major targets of the stabilization plan. It is understandable that these may be only initial proposals.

Features of the Crisis

The current socioeconomic crisis features the following characteristics:

A slump or drop in national income and real earnings. Real earnings declined by 2.7 percent in 1978, will probably not grow in 1979 (although the statistical annals say otherwise), and will surely decline further this year. Created national income declined in 1979 by 2.3 percent, and a decline is also predicted for the current year.

A severe condition of imbalance on the market and a widening inflation gap. The phenomenon of market imbalance has already been going on for 7 years, and it has recently taken on the nature of totality nearly. The more or less severe shortages apply to just about all products. The increasing inflation gap, which was filled in by a price rise, amounted to about 80 billion zlotys in 1979 and has suddenly increased this year.

*I wrote about this in the article "The Seven Sins of the 1970's," ZYCIE GOSPODARCZE, No 38/80.

Tremendous investment commitment and tie-up of capital. The value of the expenditures incurred for new and ongoing investments (which we call the tie-up of capital) amounted to nearly 700 billion zlotys. In the next few years it would cost about 1.2 trillion zlotys to complete them. The economy has not been and will not be able to handle such a great investment burden.

The raw materials and energy crisis. The economy is suffering a severe shortage of raw materials (especially coal) and of energy and power, a shortage which is hampering production growth. This is the result of our having separated the production capacity of processing industry from the raw-materials and power-engineering base.

Imbalances in the production of processing industry as expressed in the overdevelopment of the production of investment goods alongside the underdevelopment in the production of the means of production for agriculture and the underdevelopment of those parts of processing industry which supply the market.

The agrarian crisis expressed in the slump in agricultural production, improper intersector structure of production, great waste of resources, and maintenance of the backward condition of the agrarian structure.

Tremendous indebtedness burdening us with the weight of services exceeding the capabilities of the economy, which, alongside the slackening of the export growth rate, is expressed in balance-of-payment problems with the capitalist countries and is leading to a drastic limitation on imports from these countries.

The housing crisis, which has multilateral underlying conditions, especially the shift to construction technologies which have high consumption rates for materials, power, and transportation (house factories).

In addition, the current crisis is deepening many other phenomena which have after all been gaining strength for a long time. Among them, let us mention the following: the increases in employment levels and the irrational use of labor; the low, declining operating effectiveness; low production quality; underdevelopment of small manufacturing and services; and ineffectiveness of the system of planning and guiding the economy.

It must also be added that the processes of the growth of the crisis and its occurrence were accompanied by mushrooming processes of corruption or absolute degeneration of social and moral structures and of violation of principles of social justice. The most serious of these phenomena, which awakened severe opposition on the part of the society, was the practice whereby unmerited material benefits were obtained, especially in connection with the exploitation of plenipotentiary functions and the abuse of power.

In order to overcome the above-mentioned symptoms of crisis, that is, stabilize the economy and create conditions for even development, a longer period of time is necessary, 3 years optimally speaking.

Goals and Means of the Stabilization Plan

The targets of the three-year stabilization plan encompassing in a comprehensive way all the areas of the economy should give priority to six basic goals:

1. a rise in the standard of living, including in particular a rise in food consumption;
2. the restoration of market balance through the growth of market supply and a change in the level of prices;
3. an equalizing of the imbalances in industry, especially the assurance of continuity of the supply of raw materials and other materials, as well as energy and power, for industry, the assurance that agriculture will be adequately supplied with the means of production, and an accelerated rate of production growth of the means of consumption (group B);
4. the rescue of agriculture from its economic slump, making it capable permanently for expanded reproduction, given ways to structural change which are adequate for our conditions;
5. acceleration of housing construction along with better management of housing resources;
6. the acceleration of the development of small manufacturing, the crafts and services, along both cooperative and private principles.

Supreme among the above-mentioned tasks is a rise in the standard of living and also the closely related restoration of market equilibrium. The other goals, which to a certain extent are autonomous in nature, are at the same time the means of carrying out the top task.

Careful estimates do not permit us to define for the next few years the prospects for a rise in the standard of living, but we should adopt the task of defending the standard of living, that is, restoring it to its 1977 level. The reasonableness of these estimates cannot be denied. This is argued for by the fact that we do not have available what are called shallow reserves, which could be quickly set in motion to produce visible effects, the fact that we have a shortage of raw materials, the fact that we are overly indebted, but these assessments are based on premises which do not take into account the socioeconomic changes in the conditions of running the country.

We should treat Polish Summer 1980 as the Polish call for development, the call to the working class to get out of the crisis and put the economy in order, to mobilize its internal reserves, to do better, more productive work, and to raise the level of the standard of living and also to put the economy on the road to lasting, even growth. This call also applies to the government and to the entire society. The government can and should take up the cry, assuming at the same time that one of the main guarantees of its execution will be the working class, which has become a joint manager, obtaining through struggle its hitherto denied right as economic element.

Given the present state of the economy, it is estimated that in 1981 national income will show no growth, and in 1982 and 1983 it will have a growth on the order of 2 percent per year, and that in 1981 deliveries to the market will increase by 50 billion zlotys, at the very most. At the same time the inflation gap, which is the difference between cash income allocated to buy goods and services and the supply of goods, and which increased drastically during the past few months as the result of the rise in wages, will be about 200 billion zlotys (together with the other raises and changes in prices at wholesale)* on the 1981 scale. The enormous size of this gap is shown by the fact that it represents nearly 20 percent of the total expended by the population out of its personal income to buy goods in 1979.

We could fold our hands and say that the situation is impossible, that with this shortage of raw materials and the indebtedness we have no possibility of substantially increasing production, and that we cannot fill in the inflation gap even by half, which will lead to great inflation along with disorganization of the economy and a collapse of the market (empty shelves in the shops, black market, and so on), but even though we consider this to be the possibility, we can and must nevertheless take a different approach to this terribly important matter. We can treat it as the expression of a cry to put the economy in order and gradually to fill in this gap with a rise in production, to produce a rise in the society's standard of living.

Our economy has internal reserves which are not easily mobilized, it is true, but through the joint effort of the government and the society these reserves can produce a demonstrable increase in market production. These reserves are to be found in the possibilities for reducing the front of investment labor and changing the internal structure of investment outlays, in the demonstrable possibilities for increasing agricultural production, particularly hog production. There are large reserves to be found in the production of processing and extractive industry. I also propose that another reserve is to recognize the possibility of accelerating the development of small manufacturing, the trades, and services. The mobilization of these reserves can support auxiliary efforts on the part of foreign trade and a host of other undertakings

*There are estimates that this gap can grow even to 300 billion zlotys.

(for example, waging a drive for savings, placing limits to reduce unnecessary expenditures, and so on).

On the other hand, we must emphasize that only a certain proportion of these reserves fall directly under the jurisdiction of the central authorities. This applies especially to investments, and partly to agricultural reserves. The mobilization of the rest of the reserves, which are to be found first of all in industrial production, is mainly up to the enterprises themselves, to the activation of their working forces and management personnel. Of course, the central authorities can and should create conditions favorable to the mobilization of these reserves, but, let me emphasize that the results in this area will depend mainly on the enterprises.

Taking this into account, we can adopt an alternative plan for raising the standard of living. The first variant should adopt the assumption that there will be an increase in deliveries of commodities to the market over the 3 years (1981-1983) of about 20 percent. The forecast calls for expenditures for the purchase of commodities to increase in 1980 by about 1.250 billion zlotys. This would mean a rise in these deliveries of 250 billion zlotys (in 1980 prices). Within the framework of this plan we should expect a rise in the consumption per capita of meat and pluck of from 5 to 7 kilogram. (If the decline in the number of head in 1981 were very substantial, we would have to assume that such an assumed rise in meat consumption would be achieved in 1984.) Variant II would include the assumption that commodity deliveries would increase by 10-12 percent. It would be based on the assumption that reserves would be mobilized to the minimum extent, or, to put it another way, that we would be unable to mobilize the reserves of industrial production. This variant would mean defending the standard of living, that is, raising it to the 1977 level, or slightly exceeding this level. In this variant we would also have to anticipate a rise in meat consumption of from 5 to 7 kilograms per year (over the course of 3 or 4 years). All the undertakings of the three-year stabilization plan would have to be subordinated to carrying out this supreme task.

The Balance-Sheet of Possibilities

The main reserve which can be immediately mobilized is the reduction of investment outlays. These outlays throughout the economy totalled 630 billion zlotys in 1979 and will amount to about 630 billion in 1980 too. I propose that these outlays be reduced by about 150 billion zlotys in 1981 and that we maintain the reduced investment rate for the next 2 years. This reduction will make it possible to increase the deliveries of raw materials and other materials for market production and for agriculture.

The reduction in investment outlays would mean a severe curtailing of the front of investment work. We should hold up the long-term investments which are so very capital-intensive (this includes some of the largest

ones) and those which have no social priority in the current situation, that is, those which can be deferred for 3 years. The outlays for investments can be allocated first of all for those undertakings in progress which can be quickly finished and provide production for the market or supply raw materials for this production, and also upgrade supply to agriculture. Outlays should also be expanded for those investments in modernization which would expand market production and deliveries for agriculture. Part of the freed processing capacity and means should also be allocated to expand housing construction.

While the reduction of investment outlays are the main source of funds of a reserve nature, agriculture is the main element which should receive attention and a substantial proportion of these reserves, both because the society is noticing the crisis most on the market of food products, particularly meat, and because agriculture, especially private agriculture, has available substantial reserves for a rise in production. The consumption of chemical fertilizers on the private farm is not high (150 kilograms per hectare arable land), and the expansion of the application of fertilizer can produce substantial increases in agricultural production (given the lower level of fertilizer application, increasing it provides a relatively substantial rise in production). During the past few years the number of hogs on private farms has declined by 2.3 million. Given adequate means, private farms can expand this number by 3-4 million within 3-4 years. Private farming also has reserves available in cattle-raising and the production of milk, to say nothing of the production of vegetables. It is a question of mobilizing these reserves.

The mobilization of these reserves is tied to the need to expand deliveries of the means of production for agriculture (machinery, equipment, chemical fertilizers, cement, and so on). And in this matter the decisions have already been made. Nonetheless, we should see whether it would not be possible to expand the deliveries of chemical fertilizers for private farms. To this end it would be necessary to expand imports of potash fertilizers and to allocate for private farming part of the fertilizer pool allocated to socialized farming. (It is estimated that a reduction of this pool for the socialized sector by 10 percent will not reduce yields in the socialized economy).

The development of animal husbandry, especially hog-raising, should take place within the framework of peasant agriculture. To this end we should restrict large-scale animal husbandry on socialized farms. This should apply to that part of livestock-raising which is very unprofitable and fodder-intensive. This would make it possible to shift a share of the deliveries of concentrated feed to the peasant economy, which, along with a rise in crop production, should produce as a result a sizeable rise in the number of head of livestock, especially in the number of hogs.

I have also decided to call for a change in the method of expanding the agrarian structure in the direction of accelerating the process of encouraging private farms to make full use of their land. Land from the State (Agricultural) Land Fund should be transferred mainly to peasant farms. We should reduce to a bare minimum the transfer of land to the state farms. The development of the agricultural self-government will surely cause a change in the shape of the profiles of the action of the agrarian circles as the hub of various sort of co-operative activity among farmers. All this would be an important factor in the growth of agricultural production and its gradual departure from its slump.

In the area of extractive industry the main thing is to upgrade the organization of work, so that given the existing production capacity and essential supplementary investments we could increase the production of raw materials, especially coal. This is no easy matter, but by putting it into the hands of the working forces and setting up an incentive system, we can count on results.

In the area of production of processing industry, the basic directions for action are to convert production and extract internal reserves. We all know that the production of the means of production has been overexpanded and that there is no market for part of it. The reduction of investment outlays also will reduce the demand for the means of production. Therefore, I think that wherever possible and indicated, we can shift to production of consumer goods, which will make it possible to increase deliveries to the market. At the same time there is reason to believe that industry has available substantial reserves in the realm of a more thrifty use of raw materials, a reduction in losses from rejects, and an improvement in the quality of goods. It is estimated that if industry were to reduce unit consumption of raw materials and other materials by a mere 1 percent and reduced losses on rejects by one-third, the value of added production obtained therefrom would amount to about 40-50 billion zlotys. About half of this could be turned directly into market production. The rest could go to upgrade the supply of materials and tools for production.

The reduction of investment outlays and the extraction of reserves to be found in industry would make it possible to supply small manufacturing, crafts, and services with raw materials and other materials as well as production goals. The development of this sector should be greatly accelerated in comparison to past development. Here we should strive to create and develop small enterprises based on cooperative principles to produce market goods and cooperatively-produced products. The essential shift of part of the labor supply from large-scale industry to small manufacturing and services would also favor this.

All the measures mentioned concerning investments and production should be backed with action on the part of foreign trade. Unfortunately, the possibilities in this area are not great. After recent events we have already obtained additional credit. We still can and surely will have to ask for certain amounts of credit to import fodder, to prevent any great injury to livestock-raising and to ease the most severe tensions on the market, but we cannot get much further into debt. The main emphasis should be placed on increasing profitable exports, which would provide additional funds to increase imports and thereby increase production and improve market supply. At the same time I am proposing that we ask for a 2-year moratorium on the repayment of interest and installments on the credit granted, on the part of government institutions. This would partially reduce the burden of the debt service, and this is one of the factors for stabilizing our economy.

Activity in production should be supplemented and supported by a broadly-based, permanent drive to economize on raw materials and other materials and to obtain by-products. There are too many directions and fields for action in this area to mention. Proper organization could enlist the entire society in this drive, encompassing everything from saving fuel and power to collecting scrap metal, rags, and so on, as well as used cream and tooth-paste tubes.

The mobilization of the above-mentioned reserves could, in the course of 1 year, counting on the maximum, produce a rise in the population's consumption of material goods purchased with personal income on the order of about 20 percent. In this period the rise in the rest of national income designated for consumption would have to be smaller. The total accumulations would be subject to an absolute decline, so that in toto the rise in national income would amount to about 10 percent. Let us assume here that national created income was not less than national income for distribution. This is the optimal assumption, the implementation of which would depend entirely on the mobilization of all the above-mentioned reserves and success in asking for the grace period in repaying the debt.

Market Stability

The market is presently severely, even dramatically, out of balance. This is the result not only of the mushrooming wage increases but also of the crop failure in agriculture and the understandable reaction of consumers buying things up against future needs. Many store shelves are already bare. This situation calls for decisive action.

Nobody doubts anymore that in this situation it is necessary to introduce meat-, sugar-, and butter-rationing, as the government has already announced. At the same time the remaining pool of these products should have commercially-balancing prices set on them. This would quiet the most sensitive part of the market.

Nevertheless, this will not resolve the problem of the whole market. The 1981-scale inflation gap, as we have already mentioned, will be around 200 billion zlotys, maybe more. The increase in market deliveries along with nonconsumer goods cannot exceed about 80-100 billion zlotys at the outside (assuming that all the above-mentioned untapped reserves are coaxed out of hiding). This shows the necessity of taking other steps to gradually bring stability to the market.

It will be essential to make a partial price change. I am proposing an increase in the prices of luxury items, especially imported ones, and in the prices of some tobacco products, alcohol, condiments, and perhaps some other products and services (including transportation).

Efforts aimed at restoring market balance would require support in the form of action related to the policy regarding the population's cash income. This is also justified by considerations of social justice. We need to introduce a progressive tax on wages and pensions of more than 15,000 zlotys per month, or else introduce the alternative of compensatory savings with an appropriate rate of interest. We would also have to introduce an income tax beginning at a certain level of income earned by private producers, craftsmen, people with franchises, and providers of services. The income of a substantial proportion of these are very excessive and are not justified either economically or socially. Of course, the scale of this tax should not undermine the activity of the payers or hamper the further development of the crafts, trades, and services. I am also suggesting that we exact a single lump-sum property tax on all privately-held real estate, including summer cottages (but excluding cooperative condominiums). This payment could be broken up into installments for larger sums. We must also increase the tax on income from moonlighting and from additional sources of earnings.

The next direction of action is to encourage the population to increase their cash savings, especially savings targeted for something (such as the purchase of an automobile), to support the development of single-family housing construction. It is also essential to create further savings in the realm of government spending, especially expenditures for representatives, for setting up congresses, for various sorts of events on special occasions, for conferences and courses, and the like, and also for job-related and private trips abroad. I also propose that for a certain period of time we reduce imports of certain goods and import instead products of primary need.

All this will still not bring stability to the market. This can only be done gradually along with the realization of the possibilities shown above in production. A wage freeze is an essential condition to permit this stability. In relation to production employees this would apply to 1981, and for nonproduction employees, it would apply to 1982 as well. During this time there would be only cost-of-living increases.

Finally, the potato and bread market calls for extraordinary action in fiscal year 1981-1982. Our agriculture has not known such a severe crop failure in potatoes. We must limit the consumption of potatoes, especially in collective consumption (macaroni and grits could be a substitute). At the same time, beginning in August 1981 we must raise the prices on bread, because at the present time bread is cheaper than potatoes and is being bought up for fodder. This is a burning issue which we must not ignore, one which should be met with public understanding.

We must finally emphasize that the above-mentioned stability measures, especially the price measures aimed at bridging the inflation gap, should be announced with adequate lead time by the government, so that they may be put into effect with understanding and without any shocks, after there has been dialogue and social approval has been won for them.

Dangers of the Stabilization Plan

In showing the possibilities for bringing about stability in the economy within 4 years and pointing out the way out of the crisis, we must note the great dangers in carrying it out. These dangers are both objective and subjective in nature. They lie mainly in the paralysis of the economic administration and the opposition of its elements to these measures which are going to upset the old structures.

Everyone realizes the necessity to restrict outlays and reduce the front of investment work. The authorities have announced that they would hold up the execution of a number of the largest very capital-intensive investments which take a long time to complete and that they would reduce the volume of investment outlays in 1981 by about 100 billion zlotys, but up until now we have not heard that any of the great investments has been interrupted. All of them are somehow justified and fervently defended by someone. The grassroots pressure on the investments of the various local units and sectors is very great, and the authorities cannot effectively weaken it. There is also the fear that there will be a repetition of the situation of 1977-1979, when efforts were made to carry out an investment maneuver and nothing came of it, and let us say clearly that without a drastic reduction in investment outlays, the plan to stabilize the economy cannot be carried out.

The matter of the intersector reallocation of investments in agriculture is similar. Although experts indicate that the effectiveness of the marginal 10 percent of the chemical fertilizer pool on the state farms is negative and that shifting this amount to private farming would create a substantial rise in production, the authorities responsible for agriculture are steadfastly against such a shift. The situation is identical for the matter of eliminating the least profitable part of large-scale livestock-raising on the state farms and state establishments, which waste a tremendous amount of fodder. Therefore, any shift of part of the concentrated feed to private farms which could use it

to raise a far greater number of hogs is still constantly subject to question. And will industry, which still has not discharged its obligations with regard to agriculture, be inclined to make a radical change in its stance? And will the whole solidified route along the state road for the development of agriculture be changed? The possibilities for a more energetic resuscitation of agriculture from its stagnation are therefore not very promising.

Nor has there been any announcement of the undertaking of effective steps to encourage industry to mobilize its untapped reserves. As in the previous five-year period, so too during the current five-year period targets have been set for reducing unit consumption of raw materials and other materials, but as during the previous five-year period, so too now also there have been no announcements of motivational solutions to create the conditions for extracting these reserves and putting them to work. There are appeals for more productive work and more thrifty management, but after all, nothing happens through appeals alone. The minimal plan to reduce unit consumption of raw materials and other materials by 3 percent during the period of 3 years, a plan which could provide additional production of about 100 billion zlotys, can only thereby remain in the sphere of proposals and projects. After all, the issue of encouraging export faces a similar situation.

Nor is there any concept for absorbing that part of the inflation gap which will not be equalized by the bulk of goods. The initiative of floating loans has not been undertaken (this is after all correct).

Taxation of higher earnings slows up the previous suspension of the taxes on wages. The property tax did not work before. Except for the encouragement for cash savings, about which a decision was made, there is a state of a special sort of incapacity and undecidedness.

The mechanism of the operation of the economic administration has not changed. The authorities continue merely to agree on more and more new wage increases and do not undertake alongside any other even preparatory measures, knowing at the same time that the old "somehow it will all work out" is no longer realistic. But, after all, this is a new situation. Therefore, we must operate in a new way.

Ceterum censeo, without a drastic reduction in investments and a shrinking of the front of investment projects, without the reallocation of resources for agriculture, without the mobilization of the untapped reserves in industry, and without measures to counteract inflation, we cannot dream of economic stability and the restoration of market balance.

Operating Methods

The restriction of investment outlays and reduction in the front of projects, and the reallocation of resources in agriculture are a question of action on the part of the economic administration, after an exact survey has been made. And we should require that these actions be decisive, energetic, and appropriate to the needs of the situation. The same thing applies to supplying agriculture with the industrial means of production, because we should not imagine that industry itself wants to adapt to the needs of agriculture. The rest of the matters are to be found in resolutions of an economic nature, changing the system of the functioning of the economy, and we must not wait for a general economic reform, because the reform inculcated at the end of 1982, taking into account the time it takes to set it in motion, will not begin to produce effects for 1 year, that is, after the period in which we must bring stability to the economy. To this end, we must make a partial reform in the system of functioning of industry, putting it into effect right beginning in January 1981.

The partial economic reform should consist of basically increasing the enterprises' independence and establishing an incentive system, which has practically ceased to exist. The proposals on this subject listed below go far further than past suggestions and aspirations of the central economic administration.

The enterprises should become independent in setting and carrying out the plan, except that it would be essential to hand down a description of their tasks concerning the production of basic raw materials and other materials and the delivery of basic foodstuffs and industrial goods for the domestic and export markets. Knowing the means they will have available (including allocations of raw materials, and so on), the enterprises can set the production plan using available capacity and production reserves. Of course, this is to be in connection with sufficiently strong material incentives.

We must thereby make the increase in the enterprises' payroll fund dependent on a rise in net production and a reduction in material costs (the payroll fund would grow by a specified proportion of the increase in net production). Along with eliminating the limit on employment, this would create strong incentives to find funds to increase wages. Of course, this would be under the condition that the rise in wages would be based on the self-financing principle. (The state would insure funds only for a rise in wages to compensate for the rise in the cost of living).

At the same time, we must emphasize that this incentive system should be based on the principle of real production growth, (eliminating increases in prices (counting the rise in net production in comparable prices). In addition, in relation to management personnel it would be possible

to require that a substantial proportion of the bonus (30 percent, for example) depend on a reduction in material costs. It would also be possible to plan for bonuses for individual groups of employees for effects achieved in the realm of savings on the unit consumption of raw materials and other materials or in the realm of increasing the production of raw materials (in extractive industry).

In connection with this I am proposing that the planning system be changed. The enterprises would obtain indices stemming from the targets of the three-year plan of stabilization. They would not be compulsory in nature. The enterprises themselves would determine their production capacities. The incentive system would motivate them to use all possible untapped reserves in the given year. The level of production growth achieved would on no account be used as the base for setting the targets of the next year. On the other hand, the incentive system would provide for a specified growth coefficient for the wage plan in accomplishing the recommended production growth index and an appropriately higher growth coefficient for the wage fund from part of the production growth exceeding the recommended index. One can imagine that all this and involving the whole work force in active joint management along with their self-government organizations will result in a noticeable rise in production, one far greater than that based on the former principles of operation and management.

It is also essential to put into practice a system to encourage a rise in profitable exports. A system of this sort was introduced in 1980 for only part of the enterprises. This system should be expanded to include all enterprises which specialize in export. At the same time, it should be modified to give priority to profitable exports.

In the effort to achieve the desired reduction in investment outlays, I propose that for several years we hold up the completion of certain great investments (the second stage of the Katowice Mill, Polcolor, and so on) or give up the notion of building them (Ferguson). Here such an investment program should be carried out with very great care, so that each zloty spent is checked three times to see that it is useful and that it will produce the anticipated results. (To this end, among other things, we should fundamentally expand the role of the bank and reactivate the Bank Inwestycyjny [Investment Bank].)

We are not going to repeat the postulates concerning the conversion of industrial production or the direction of major attention to agriculture. Nevertheless, we must emphasize once again that the mobilization of the untapped reserves in agriculture is the most urgent task and that without reallocating resources from other sectors to private farming and the expansion of industrial deliveries of the means of production for private farming, we have no way of expecting any real improvement in the food supply during the next 3 years.

Finally, among the major tasks in filling in the inflation gap, as we pointed out, we should find ways to absorb the population's cash income and bridge this gap. We have already mentioned the methods of action. We should add that to this end it would also be possible to reduce the increase in the payroll fund for promotions and reclassifications from 2 percent to 1 percent. As for the rise in wages from production increases, it would be better for the effects obtained to be paid for at the end of the year. Of course, this would require acceptance on the part of the enterprises' workers.

The major targets of the three-year stabilization plan presented in abbreviated form of necessity include many controversial proposals and many proposals which do not contain full details, but the thing is not that they need to be corrected or translated into concrete terms. The thing is for the very idea of the stabilization plan and of its chief goals, resources, and means of implementation be recognized and presented as soon as possible to the society, which is waiting for just such a program. We can imagine that the elaboration of such a plan would gain social acceptance. It would surely be translated into concrete form and enriched in the course of being built from the bottom up, involving the active participation of all those working on carrying it out.

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MONTENEGRIN ECONOMIST INTERVIEWED ON TRENDS, PROSPECTS

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[Interview with Bosko Gluscevic, professor in the School of Economics at Titograd University and director of the Institute for Socioeconomic Research in Titograd, by Scepap Rabrenovic: "Ignorant People Are Always Bold"]

[Text] "it is not easy to live with the problems of the time and to resolve them successfully and in good time on an everyday basis. It is more comfortable to live in the conviction that they will solve themselves or that someone will be found to solve them without us." This was the answer which Bosko Gluscevic, professor at the School of Economics at Titograd University and director of the Institute for Socioeconomic Research in Titograd, gave to our question as to why our problems elude us.

It is not difficult to introduce the subject of our interview: though he has just turned 50, he has managed to be a republic and federal deputy (for 16 years), to be one of the top managers of the Niksic Steel Mill, an undersecretary in the government of Montenegro, dean of the School of Economics in Titograd, a member of numerous scientific councils and chairman of the Scientific Section of the Federation of Yugoslav Economists.

In recent years he has been less and less in evidence, as though someone had put him on the shelf. He says that he himself withdrew to handle numerous matters related to scientific research, matters consisting of post-graduate and regular studies. For all those reasons he once again will be unable to attend the conference of economists in Opatija this year.

[Question] Is that the only reason?

[Answer] The usefulness of conferences of this kind is declining year after year. The present time is not suitable for scientific ideas and professional evaluations. Unfortunately, this kind of situation has lasted for quite a long time now. Haven't you noticed that scientific research institutes are less and less well staffed and that there are fewer and fewer people who want to pursue science?

[Question] Is science itself at fault for this situation, or are those to blame outside it?

[Answer] A scientist must first of all be an individual, he must possess steadfast moral attributes, he must conscientiously apply the methods of science and show himself to be an advocate of the idea which explains reality the way it really is and not merely a description of external manifestations. And, taking a risk, inform his client who has requested the study and the public about the actual situation. A scientist must explain the causes and origin of the problems and not just the visible consequences.

A Spokesman Whom No One Likes

In our social and political life, by contrast, we experience the phenomenon that people are constantly reporting to us good tidings about a bright future and about the cheerful things that await us. According to them and their interpretation there is no need for us to concentrate on identifying the problems in our development, nor to commit our work skills, professional abilities and intellectual capacities to solving these problems. It seems that people prefer to picture reality in bright colors. Indeed, no one likes a spokesman who alerts you to difficulties.

[Question] How, then, are we to explain so much insistence on the need for critical and all-inclusive analyses?

[Answer] In practice it is different. People are sought who will clarify the stands that have been taken, decisions that have been made, the policy that has been adopted, not those who will critically analyze reality and issue warnings about the problems.

[Question] Which means that we are still left mostly to learning by our mistakes. Isn't that an expensive education?

[Answer] The ignorant are bold as a rule. They examine situations superficially, they draw hasty conclusions, and they are willing to offer a number of supposed solutions, though at the same time they have no insight into the complexity of the situation, into the richness of life, into the range of difference covered by the situations, times and circumstances in which we live and work. The ignorant want to become established rapidly, to achieve prominence without much effort: they are impatient, and they make errors which later cost us dearly. And in order to justify themselves, they later tell us how many things could not have been foreseen, how circumstances were against us, and then finally they say it remains to learn from these errors. While we were young, carried away with ideas, we had the right to make mistakes. Today, when we have become an advanced society, we no longer have the right to be wrong.

Adoption of Positions on the Basis of Appearances

[Question] Everyone agrees that the situation in the economy is grave, but it does not seem that we yet have a true assessment of all the coincident influences which have brought all these circumstances about.

[Answer] Because we go by consequences, by manifestations. Marx in his time warned: "If visible reality coincided with the essence, there would be no need for science." Which means that if we judge by appearances, then we will not be making decisions about the real problems. If we are reacting only to the consequences, then we are late; if we are not making judgments about which are the essential processes which are imposing upon us, by the objective force of laws in the development of society and the economy, the coordinates of present-day life and future development, then we actually are unable to resolve the urgent problems.

And since we are not resolving them on the basis of the true information of science, we then raise a clamor and attempt to solve all the visible problems with legislation. I do not believe that anywhere in the world there has ever been a system that has passed as many laws, regulations, amendments, supplements and supplements to the supplements concerning the economy and the conduct of economic activity as we have in a short time. It is simply amazing how attached we are to lawmaking and how we see sanctions as the remedy and solution for urgent problems which simply cannot be solved with regulations, prohibitions or restrictions. In actuality economic problems require adequate economic means, methods and conscious cooperation in the resolution of common problems.

[Question] Doesn't it seem to you that all these numerous legal enactments often leave things unsaid and as a consequence everyone interprets them in the way it suits him at the moment? And that as a consequence we have so many misunderstandings even concerning those provisions of the law which absolutely should have been clear?

[Answer] In a joint session of two federal councils, the economic council and the legal council, at the time when the Law on Associated Labor was being adopted, I participated in the discussion and put the question: Why is such an important document being enacted in such a hurry and what in the context of that law does liability mean? At that time I compared the manner in which two laws had been enacted: the Basic Property Law for the Kingdom of Montenegro, adopted in 1888, and our own Law on Associated Labor. After all, both dealt with the same set of problems. In order to indicate the complexity and seriousness of approach, I quoted a portion of the preamble of the Basic Property Law for the Kingdom of Montenegro which was written by Prince Nikola Petrovic the First and in which he emphasized the amount of time that it had taken Mr Valtazar Bogisic, a man altogether fit in his mental abilities, his science, his energy and his devotion, a man who had his doctorate, was a full professor at the University of Odessa and was a true government consultant, to draft that law. In any case, this scholar had devoted most of his life to drafting and applying that law.

Subscribing to Losses

But we hurried to adopt the Law on Associated Labor in a campaign, one that often was inexplicable in its points of departure, when this law, which in many respects was needed, should have been done more thoroughly, in the spirit of our time, and shouldn't have been written as clearly as Valtazar Bogisic drafted his laws. I therefore cite the provision concerning responsibility; after all, what does it mean to say joint and several liability; on what basis and to what limit can it be applied in our system? The Basic Property Law for the Kingdom of Montenegro states: "If instead of a profit the accounts show a loss, the share in the loss shall be the same as the share would have been in the profit." Which means that the one who has more to gain from a joint venture also bears greater liability.

In this respect we still do not have clear and comprehensible views; for a long time we have been trying to resolve the problems of losses by noneconomic measures. Resources from joint reserves are built up by special enactment and the obligations of debtors are met without an analysis and without a critical assessment as to why the loss occurred. That is how it comes about that some work organizations seem to have subscribed to obtain the funds of the community.

[Question] We are constantly assuring work organizations that if they pool their labor and capital on the basis of shared income they will become prosperous. But they are constantly holding back. How do you explain this?

[Answer] Many authorities in political and public life, especially those who do not bear the consequences of the ideas they advocate, are inclined to suggest solutions and to propose what at first appeared to be simple methods, such as integration or the pooling of labor and capital at a higher level of organization.

The actions of the coercive mentality are most often advocated and used as a method by the political executive apparatus. As a matter of fact the bureaucracy is indifferent to the troubles of others, and it comes forth with integration as a remedy for itself, and it passes on the worries to someone else. That is why we have occasional intervals when association or pooling is brought about by pressure, and then after the pressure lets up, those same organizations dissolve, with a great number of consequences for human relations. Coercion from outside, which actually is not a reflection of the inner need of associated labor, nor of its lasting interest, is arousing the working people to such an attitude of repulsion that they are boycotting the idea of entering into association and pooling.

[Question] We are always swearing that we will not allow surpluses to be created outside the economy, that we will confiscate them if they occur. Is it merely a problem of confiscation or something else?

[Answer] The trouble with our system is that the economy pays the predominant share of contributions out of personal incomes, and only a small portion out of income. That is how it could come about that work organizations which have losses also pay contributions, and as a result their losses are greater by the amount of their contributions. Now we have on the one hand larger losses because of personal incomes and contributions which have been paid, and on the other, in noneconomic activities, we have surpluses. This cannot be solved by a document which states that the resources are to be returned to associated labor. On the contrary, changes are needed in the economic system.

An Obstinate Conception

But before that we should state that we have confused basic terms of economics and for a long time now have been dealing with certain conceptions that have absolutely nothing in common with the economics of self-management socialism.

The principal area in which we should try to bring about a change and which would be fairer from the standpoint of the earning and distribution of income is for all entities in the organization of economic life to earn the income for their development and existence as a function of the success of the economy, as a function of the remainder of income after operating costs have been met. This means that if, for example, government agencies contribute to increasing the remainder of income, they will not only have larger personal incomes, but will also have more resources for their own development. Under such conditions, when we are all striving to increase income or the remainder of income, then the causes of investment at any cost would cease to be operative and we would not have such striking desires to build huge projects and superfluous capacities, and many other decorative and superfluous things would vanish. After all, when a loss occurs, it will be borne in the same manner as the remainder of income would have been distributed.

[Box, p 17] [Gluscevic] on Economic Patriotism

We are losing sight of the fact that the economic value orientation of socialism must above all be industriousness and thrift. Instead of sponsoring that kind of behavior, we are sponsoring luxury.

Ten years ago, when I was a federal deputy in the Chamber of Nationalities, I advocated the idea, and this is my thinking even now, that no one has the right to make expenditures over and above what his people are creating. I said at the time that I know that Scotch whiskey is better than our own slivovica and that French cognac is better than our own lozovaca, English fabric better than that from Paracin, German cars, Italian shoes, American

cigarettes--that all of that is better than ours. But if as a citizen of this country I hold public office or any other responsible position I do not have the right to exceed the productive capabilities of my own [working] class. Anyone who spends the products of another [working] class, however excellent they may be, is objectively negating me as a member of his [working] class, since he is living in the dimensions of the world, in the boundaries of the productive capability of other countries, he is not living the life of the place where he himself comes from. Until we come to grasp this, we will not know what economic patriotism is all about.

And as for economic patriotism, so that there is no confusion, this is what it means: always, under equal conditions, preference is given to the domestic over the foreign whether it be some product, a natural resource or a service.

Not Only Beyond Measure

[Question] Some problems constantly elude us, we never manage to catch up with them, even though we are always running after them. Does this mean that we are not ready and willing to resolve them?

[Answer] It is not easy to live with the problems of the time and to resolve them successfully and in good time on an everyday basis. It is more comfortable to live in the conviction that they will solve themselves or that someone will be found to solve them without us. Putting off problems does not help to solve them, nor to mitigate them. What is more, complicated situations arise like the present one, which has lasted now without interruption for all of 4 years. Unfortunately, we undertake activities in complicated situations which we should have undertaken considerably earlier. We try to shorten the duration of the trouble and we take hasty measures.

The energy crisis, you know, did not begin yesterday, but has been intense for 6 years now. Only last year did we begin to take steps, and they were mainly restrictive--instead of developing alternative choices.

Each successive higher stage in development of the economic base calls for a different kind of behavior. Interdependent structures undergo change both in the economy as well as in other forms of social organization. It is therefore necessary to make a particular effort to detect interdependent changes whose accomplishment requires different activities than used in the past when the problems were simpler.

It is no longer enough to issue a proclamation, to call upon people to be vigorous, to warn of the need to do more work. On the contrary, we need to

recruit an authentic science and all those who are capable of proposing professionally competent solutions.

[Question] Everyone is calling for responsibility, but the response is rather unconvincing. Is responsibility in our context actually something optional, something like a slogan that is always resorted to and which does not impose an obligation on anyone?

[Answer] At one time in the Federal Constitutional Commission I advocated the interpretation that responsibility is sharing the destiny of the idea which a man advocates. If the idea falls, one relinquishes the right to offer an alternative program. In addition, in our system it is indispensable that we make a distinction in both terms and practice between public office (funkcija) and a position (duznost). That is, in our system public office should be the exception. A public official might be a person who has been elected president of a representative body or chairman of a collective body in the political structure when he is elected for a specified term of office. Everything else should be positions.

Why? Because public office always involves material, financial and moral privileges and as a rule a rentier's advantage over others. When we elect or appoint someone to a position, he must be aware that he is accountable to those who have entrusted these tasks to him, to his colleagues and to the public. Have you noticed how we behave when someone is elected to a high public office? We immediately send him congratulations, no one is concerned about whether he will succeed or not. However, when someone is given a position, this means that he is accountable for the handling of the business of society, whether in politics, the government administration or as a professional manager in an organization of associated labor. If he happens to be someone close to us, some relative or friend, we will be truly and deeply concerned about his success. We will be happy that he has been chosen, but we will be fearful about his results. Every success of his will also be ours. We will experience his every defeat as a misfortune of our own.

Man and the Word Are Not the Same

Now we say for anyone who is elected: my, isn't he lucky, he is moving up! People like that feel no responsibility for the words they have spoken nor for the acts they have committed.

[Question] On one occasion you said that we are actually followers of the New Testament. What did you mean by that?

[Answer] I was thinking about what it is that singles us out so much as verbally successful, as orators who make eloquent promises which no one bothers to hold us to. Have you noticed how much importance we attribute to resolutions, statements of position and speeches and how we constantly repeat what so-and-so said on such-and-such an occasion instead of pointing to examples of what so-and-so has done on such-and-such an occasion.

We are followers of the New Testament in its essential definition. The New Testament begins, unlike the book of Genesis: "In the beginning was the word and the word was with God and God was the word." Goethe turned this around in his well-known paraphrase where he inserted "deed" instead of "word" and "man" instead of "God." Contrary to Goethe, we put more emphasis on the importance of verbal support and vocal approval than on people's behavior in everyday life. Applause while someone is speaking is a more important act to us than tomorrow's creative work, whereby authentic devotion to the idea is proven.

[Question] What is Bosko Glumcevic's critical alternative?

[Answer] Criticism of a situation does not change it. The alternative has to be based on three fundamental postulates of our system. They are: social ownership, self-management and distribution according to the results of purposive work.

Social ownership is a negation of exploitation and negates appropriation on whatever basis and in particular disputes the position of the rentier as a form of social parasitism.

Self-management negates any mediation whatsoever in the name of others and on behalf of the [working] class.

Distribution according to the results of purposive work, as a constitutional definition, singles out the criterion and standard of the work contribution as the basis of appropriation, so that everything that is not the result of work is theft and alienation of income from whoever created that income.

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